

# **SAN JUAN WATER DISTRICT**

## **Board of Director's Meeting Minutes**

February 9, 2011 – 7:00 p.m.

### **BOARD OF DIRECTORS**

Ted Costa	President
Pam Tobin	Vice President
Kenneth Miller	Director
Dave Peterson	Director
Bob Walters	Director

### **SAN JUAN WATER DISTRICT MANAGEMENT AND STAFF**

Shauna Lorance	General Manager
Keith Durkin	Assistant General Manager
Mary Morris	Finance and Administrative Services Manager
Judy Johnson	Customer Service Manager
George Machado	Field Services Manager
Greg Turner	Chief Operator
Jason Mayorga	Distribution Operator IV
Kevin Davis	Treatment Operator III
Teri Hart	Board Secretary/Administrative Assistant
Paul Bartkiewicz	Counsel

### **OTHER ATTENDEES**

Maya Tagore-Erwin	Customer
Karen Bosworth	Customer
Linda Davis	Public
Lianne Peterson	Customer
Dave Hodson	Customer
Greg Umphenour	Customer

### **AGENDA ITEMS**

- I. Public Forum**
- II. Consent Calendar**
- III. Committee Reports**
- IV. Information and Action Items**
- V. Upcoming Events**
- VI. Closed Session**
- VII. Open Session**
- VIII. Adjourn**

President Costa called the meeting to order at 7:00 p.m.

#### **I. PUBLIC FORUM**

Ms. Peterson addressed the Board with a complaint that she did not receive a reply from the email that she sent on January 28<sup>th</sup> to the Board via Ms. Lorance's email address. Ms. Lorance informed Ms. Peterson that she did not receive the

email and will check to see if the District's spam protection software filtered it. [*The email was discovered by the IT Administrator in the District's spam filter software program.*]

Ms. Peterson also voiced her concern over the exchange between Vice President Tobin and her at the last Board meeting where she felt Vice President Tobin accused her of disseminating false information and requested that Vice President Tobin respond to back up her claim. Vice President Tobin responded to Ms. Peterson with a prepared explanation of the comments she made at the last Board meeting regarding dissemination of information. A copy of Vice President Tobin's written comments will be attached to the original meeting minutes.

Ms. Tagore-Erwin inquired who the District serves. President Costa responded that the Board serves the public and the District staff takes direction from the Board.

Director Peterson requested a transcript of Vice President Tobin's remarks. Vice President Tobin stated she would provide a copy of her remarks.

## II. **CONSENT CALENDAR**

All items under the consent calendar are considered to be routine and are approved by motion. There will be no separate discussion of these items unless a member of the Board, audience, or staff request a specific item removed after the motion to approve the Consent Calendar.

### 1. **BOARD OF DIRECTOR'S MEETING MINUTES**

Approval of San Juan Water District's Board of Director's meeting minutes as follows:

1. Minutes of the Board of Directors Meeting January 12, 2011
2. Minutes of the Board of Directors Meeting January 26, 2011
3. Resolution 11-03, ACWA JPIA Concurring Nomination

***Vice President Tobin moved to approve the Consent Calendar. Director Walters seconded the motion and it carried unanimously.***

## III. **COMMITTEE REPORTS**

### 1. **Public Information Committee (1/24/11)**

Ms. Lorance reported that the committee met on January 24, 2011 and discussed the following:

- Review WaterGram
- Spring Conservation Event
- RWA Public Information Subscription Program

The committee meeting minutes will be attached to the original board minutes.

Ms. Lorance informed the Board that the Spring Conservation Event will be delayed since completing this project in-house would require staff time that is not available at this time.

Ms. Lorance informed the Board that the RWA Public Information Subscription Program has 100% support from the large agencies and most of the other agencies. The first outgoing messages from this project will occur in approximately two months.

Ms. Lorance informed the Board that Director Miller suggested that items being discussed at the February Board Workshop be compiled into a written format that includes information on the item, the impact to the District, including financial impact, and a list of pros and cons for the Board members to review.

*For information only; no action requested.*

**2. Engineering Committee (1/24/11)**

Mr. Durkin reported that the committee met on January 24, 2011 and discussed the FO 40 Pipeline Rehabilitation Project. The committee meeting minutes will be attached to the original board minutes.

Mr. Durkin informed the Board that a joint meeting with the Fair Oaks Water District Technical Advisory Committee and the Engineering Committee still needs to be scheduled; therefore, the action on the MOU needs to be tabled to a future meeting. President Costa requested that the action item be placed as a standing item on the agenda until resolved.

Director Walters inquired if the MOU was reviewed by Legal Counsel. Ms. Lorance explained that the MOU is currently in draft mode until comments are received from the other agencies then will be reviewed by Legal Counsel.

There was an inquiry from the public regarding whether the District pays for repairing a pipe that's in the Fair Oaks Water District. President Costa explained that the pipeline is the property of San Juan Water District wholesale and is used to serve a few of the wholesale customer agencies. He explained that the agencies are discussing the cost allocation at this time.

*For information only; no action requested.*

**3. Finance Committee (1/11/11)**

President Costa reported that the committee met on February 8, 2011 and discussed the following:

- Review and Pay Bills
- Wholesale Customer Agency Water Supply Contracts
- Penalties and Interest for Delinquent Water Charges
- Wholesale Customer Agency Outstanding Invoices
- Fair Oaks 40-inch Pipeline Update
- WTP Process Pump Maintenance
- Water Treatment Plant Filter Repair Project
- Flexibility in Scheduling Finance Committee Meeting

The committee meeting minutes will be attached to the original board minutes. The items requiring action or Board discussion are detailed below.

### **Review and Pay Bills**

President Costa reported that the committee reviewed the presented bills and claims for January payables in the amount of \$1,350,731.30. The reviewed bills and claims were found to be in order.

***Director Miller moved to approve Resolution 11-04. Director Walters seconded the motion and it carried unanimously.***

Director Peterson inquired what the large credit was on the January payables that is added back in manually at the end of the list of payables. Ms. Morris explained that the District is required to pay two months in advance for water deliveries from the Bureau and then it is reconciled after the actual usage is calculated. As USBR bills for the water usage, the actual invoice is subtracted from the credit. The credit will be reduced once more water is delivered in the warmer months.

### **Wholesale Customer Agency Water Supply Contracts**

Ms. Lorance informed the Board that final revisions to the contracts were made to reflect comments from Fair Oaks Water District. The Finance Committee discussed the proposed revisions to the contract and agreed with staff recommendations.

***Director Miller moved to adopt Resolution No. 11-02 modifying wholesale customer agency water supply contracts. Vice President Tobin seconded the motion and it carried unanimously.***

### **Penalties and Interest for Delinquent Water Charges**

Ms. Lorance informed the Board that the proposed 150 day notice for the implementation of penalties and interest charges on delinquent water charges was provided to the General Managers and the Executive Committee, and the 150 day period will be completed this month. Ms. Lorance reported that in order to comply with the 150 days notice requirement, the Finance Committee recommends that the Board of Directors adopt the delinquency policy at the February 23<sup>rd</sup> Board of Directors meeting.

Director Walters inquired if there should be a clause to waive penalties. Mr. Bartkiewicz explained that the Board has the authority to waive penalties, but should do so on a consistent basis with just cause.

*For information only; no action requested.*

**Wholesale Customer Agency Outstanding Invoices**

Ms. Lorance informed the Board that invoices were sent to the Wholesale Customer agencies for the fixed service charges and debt service. Fair Oaks Water District's invoice is the only one outstanding.

Director Miller inquired on the status of payment from FOWD. Ms. Morris informed the Board that she contacted FOWD and was informed by their Financial Analyst that the invoice was approved by the FOWD General Manager and processed through accounts payable for review at the February 14<sup>th</sup> Board meeting and once approved, then it will be released at that time.

Director Peterson commented that some leeway should be given to FOWD since they have been embroiled in a criminal trial that has taken its toll on them.

*For information only; no action requested.*

**Fair Oaks 40-inch Pipeline Update**

Mr. Durkin informed the committee that staff developed a draft agreement for the Fair Oaks 40-inch Pipeline Project that covers capital improvements and ongoing operations and maintenance. The District received comments on the agreement from OVWC in October, but has not received comments from FOWD. It appears it may take a substantial amount of time to negotiate the final agreement with FOWD.

Mr. Durkin commented that the District would like some type of written agreement in place while the project is moving forward and cost allocations are developed. Staff prepared a draft Memorandum of Understanding between the agencies to confirm all agencies are in agreement with the scope of the project and to provide a temporary allocation of costs, including a share to SJWD Wholesale. The SJWD Wholesale percentage would be reimbursed by the agencies once the final project allocation is identified. OVWC provided comments to the MOU. Staff is trying to arrange a meeting with the FOWD Technical Committee to determine what questions and concerns they may have.

The committee discussed the issue. Mr. Durkin will report back on the item.

*For information only; no action requested.*

### **WTP Process Pump Maintenance**

Mr. Durkin informed the committee that emergency repair was needed on two WTP process pumps which supply water for various needs at the plant. The cost for rebuilding both pumps was just over \$20,000, which fell above the General Manager's normal authorization limit; however, since this was an emergency, the General Manager approved the cost, which was not in the budget. The WTP staff presented an alternative of delaying other capital improvement projects to cover the cost. The committee discussed the issue and suggested that the cost be allocated as a capital improvement project which would be covered by the savings on the Water Treatment Plant Filter Repair Project

*For information only; no action requested.*

### **Water Treatment Plant Filter Repair Project**

Mr. Durkin informed the Board that the WTP Filter Repair Project was underway and in the course of repairs, it has been determined that more work is needed. A change order is necessary to address saw cutting approximately 400 feet of concrete at the floor and wall expansion joints to achieve a straight, consistent 2-inch wide joint, and replacing the expansion joint material and sealant. The contractor has submitted a quote of \$23,115 to complete the saw cutting and prep work in the south filter basin. The change in cost for the wider joint filler material and caulking is estimated to be an additional \$3,600. The District anticipates a similar change order work requirement in the north filter basin.

The addition of this change order work to the contract will result in the contract amount exceeding the authorized contract budget; however, the project will remain under the 2010/2011 Wholesale Capital Improvement Program Budget. The Finance Committee discussed the change orders and agreed with staff recommendations.

***Vice President Tobin moved to 1) approve Change Order No. 2 to the contract in the amount of \$23,115 to cover the additional work by Koch Excavating, Inc., and 2) approve increasing the total authorized not-to-exceed construction budget to \$182,000 to cover these change orders and provide a contingency of approximately \$10,000 for any other unforeseen conditions. Director Walters seconded the motion and it carried unanimously.***

### **Flexibility in Scheduling Finance Committee Meeting**

President Costa explained that the 4pm time needs to remain in order to allow enough time for staff to submit the bills for review; however, he is open to a having a pre-meeting for one of the committee members to meet with staff, then recess to 4pm on the Tuesday prior to the Board meeting. At this time, the alternate would be called to cover the second part of the committee

meeting. President Costa stated that all recommendations and actions on the committee agenda will be determined at the 4:00 pm meeting time.

For information only; no action requested.

#### **Other Finance Matters**

Ms. Lorange informed the Board that a detailed list of reserves for both Wholesale and Retail was provided to the Board and will be on the next Finance Committee meeting agenda.

For information only; no action requested.

## **IV. INFORMATION AND ACTION ITEMS**

### **1. GENERAL MANAGER'S REPORT**

#### **1.1 Topics for Workshop**

Ms. Lorange informed the Board that a draft list of topics for the February workshop was distributed at the Board meeting. Mr. Fougères will be working on the priorities for this year that the Board wants to accomplish, outside of routine District operations and he will be contacting the Board members to discuss the workshop topics.

For information, no board action requested

#### **1.2 Report Back Items**

##### **1.2.1 Board December 14, 2010 Workshop**

Ms. Lorange provided the two completed action items that were missing from the December 14<sup>th</sup> workshop. A copy of the information will be attached to the meeting minutes. The Personnel Committee will review the four items and recommendations from the workshop and identify the next steps.

Director Miller inquired if the District is an "at will" employer and what that means. Mr. Bartkiewicz will research the request and report back.

Director Peterson inquired about item 5 where it refers to other agencies stating that "employees agreed" to something. He would like to know how that agreement manifested, such as an employee vote, majority vote, unanimous decision, or management decision subject to protest. Mr. Bartkiewicz will research the request and report back.

For information, no board action requested

### **1.3 Miscellaneous District Issues and Correspondence**

Director Miller received an email from Ms. Roberts, a customer, which asked a lot of questions and he wanted to know if staff received the email. Ms. Lorance will research and get back to Director Miller.

Ms. Lorance reported that at the request of staff, the District's Injury Illness Prevention Program was reviewed by JPIA and recommendations were received and included in the Board packet.

*For information, no board action requested*

## **2. ASSISTANT GENERAL MANAGER'S REPORT**

### **2.1 Report Back Items**

#### **2.1.1 Treated Water and Cooperative Transmission Bypass Pipelines Project**

Mr. Durkin reported work is progressing on this project and some major trenching will be completed over the next couple of months; therefore, he cautioned board members and the public to use care when driving through the facility as there will be some heavy equipment and detours.

*For information only; no action requested.*

### **2.2 Miscellaneous District Issues and Correspondence**

Mr. Durkin reported that a technical team meeting was held at the District on February 4<sup>th</sup> with the U.S. Bureau of Reclamation, City of Roseville and City of Folsom to review important projects with the Bureau. Some close-out items on the Bypass Pipeline Project were discussed, including thoroughly testing the new and existing pipes as a system and rehabilitating the older pipeline. In addition, the technical team discussed the second intake project for water supply reliability needed during dry years or emergency situations. The most promising alternative for a second intake appears to be a low lake level pump station located in the stilling basin below the dam since there is always water at this location. The technical team will begin meeting on a monthly basis to continue progress on the projects.

President Costa commented that the second intake project seems like it will be a costly project and inquired if there is benefit to the District. Mr. Durkin explained that if the lake goes to approximately 2/3rds empty or less then the water supply through the only intake that the District has would be reduced or completely cut-off and the District would not be able to obtain its water supply from the lake. Mr. Durkin commented that the re-operating of Folsom Lake to meet Delta requirements and other demands might very well put the lake below the existing intake.

Mr. Hodson inquired if there had ever been a problem with obtaining water from Folsom and who will decide if the District moves forward with the

second intake project. Mr. Durkin responded that the District has not had a problem yet with obtaining water from Folsom Lake, but has come close. President Costa commented that the Engineering Committee and the Board will review and decide, but this is a long term project. Mr. Durkin responded that he takes direction from the Board to review a redundant water supply for the District and supply options for the Board's review. Director Miller commented that looking into this second intake is being driven by the state and potential use of water that will be required to flow to the Delta by state mandates which will impact the District and require an alternative water supply.

For information, no board action requested

### **3. FINANCE AND ADMINISTRATIVE SERVICES MANAGER'S REPORT**

#### **3.1. Report Back Items**

Ms. Morris informed the Board that she is following up on scheduling the Placer County Tax Collector to conduct a presentation on pooled-money accounts.

Ms. Morris informed the Board that she is meeting with Director Peterson on February 10<sup>th</sup> to review the budget assumptions as directed at the last Board meeting.

#### **3.2. Miscellaneous District Issues and Correspondence**

Ms. Morris referred to the CalPERS press release regarding returns on investments, which are 12.5% for calendar year 2010 and shows a \$65 billion gain since the low point in 2009. This is the second straight year of double-digit returns and is important to the District as CalPERS states that approximately 70-80% of retirees' payments come from these investment returns.

Ms. Morris informed the Board that staff will be reviewing allocation of staff time between wholesale and retail to assure allocations are up to date given current work activity and accounted for properly in the budget.

### **4. LEGAL COUNSEL'S REPORT**

Mr. Bartkiewicz provided a written report which will be attached to the original meeting minutes. He informed the Board that a memorandum was provided to Ms. Lorance regarding the recent Supreme Court decision on the State Water Resources Control Board fees case. The Supreme Court held that the legislature properly enacted the fees; however, since they are fees there needs to be a direct nexus between the fees and the services received. The case was referred back to Superior Court for more evidence that proves the fees were justified for the services rendered.

For information only; no action requested.

## **5. DIRECTORS' REPORTS**

### **5.1 SGA**

Vice President Tobin reported that SGA meets on February 10, 2011.

### **5.2 RWA**

No report.

### **5.3 Executive Committee**

Mr. Durkin reported that the Executive Committee met on January 25<sup>th</sup> and all agencies were represented. A copy of the meeting minutes will be attached to the Board meeting minutes.

### **5.4 ACWA/JPIA**

No report.

### **5.5 CVP Water Users Association**

No report.

### **5.6 LAFCO**

President Costa reported that they meet next month. He reported that he watched the report on the service review of Rio Linda Water District. The PUC conducted a hearing on the rate increases that American Waterworks forecasted at 42%.

### **5.7 Other Reports and Comments**

Ms. Lorance informed the Board that the Joint Board Workshop will be held at Fair Oaks Water District on March 7<sup>th</sup> from 9:00am to 12:00pm.

## **V. UPCOMING EVENTS**

1. Special District and Local Government Institute Governance  
February 17-18, 2011  
Anaheim, CA
2. 2011 ACWA DC Conference  
March 1-3, 2011  
Washington, DC
3. Water Education Foundation Executive Briefing  
March 24-25, 2011  
Sacramento, CA
4. Metro Chamber Cap to Cap  
May 7-11, 2011  
Washington DC
5. ACWA Spring Conference  
May 11-13, 2011  
Sacramento, CA

**President Costa called for Closed Session at 8:27 pm**

**VI. CLOSED SESSION**

Conference with legal counsel--anticipated litigation; Government Code sections 54954.5(c) and 54956.9(b); significant exposure to litigation involving construction contract claims of Preston Pipelines, Inc. related to WTP Pipeline Improvements Project.

**President Costa returned to Open Session at 8:37 pm**

**VII. OPEN SESSION**

1. Report from Closed Session  
There was no report from the closed session.

**VIII. ADJOURN**

**The meeting was adjourned at 8:38 p.m.**

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EDWARD J. "TED" COSTA, President  
Board of Directors  
San Juan Water District

ATTEST:

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TERI HART, Board Secretary

## Lianne's email inaccuracies

### Lianne comment

- The General Manager (GM) was to present to the audience the general concepts outlined in the committee white paper, but instead gave a multi-slide power point rebuttal to the paper by comparing, among other things, our water rates to agencies that have much higher costs due to increased conveyance and/or pumping requirements. The GM's slides did not reveal that our water district's proximity to our water supply (directly next to Folsom reservoir) means we have extremely low conveyance costs and therefore should expect lower rates than other water districts. Additionally, the GM compared the salaries of our water district to much larger metropolitan areas such as San Jose.

### Areas of inaccuracies

- The majority of the board requested background on the actions taken by the board related to the Ad Hoc retirement committee.
- The info provided was not a rebuttal, but rather facts as requested by board members related to staffing, etc.
- The cost comparisons of wholesale water rates discussed delta pumping costs. The wholesale costs shown ranged from \$300 to \$800 higher than sjwd wholesale costs. The cost to pump and transmit water to southern California agencies ranges from \$150 to \$200 an AF. The costs of wholesale water at agencies south of SJWD ranged \$400 to \$600 more than SJWD. Obviously the entire cost increase is not transmission. Neither are we saying these costs are too high. In fact, they probably more accurately reflect the real cost of water supply, as SJWD does not put the funds into statewide concerns as these agencies do.
- Salaries were not compared at the workshop.
- The agencies that were used for comparisons during the 2006 compensation survey were listed. None were San Jose.

#### Agencies included:

- Amador Water Agency \*
- Carmichael Water District (did not respond)
- Citrus Heights Water District
- City of Folsom
- City of Fresno
- City of Modesto
- City of Roseville
- City of Sacramento
- City of West Sacramento
- City of Yuba City
- Dublin San Ramon Services District \*
- El Dorado Irrigation District
- Fair Oaks Water District (did not respond)
- Modesto Irrigation District \*
- Nevada Irrigation District
- Placer County Water Agency
- Sacramento County
- Sacramento Suburban Water District

- Stockton East Water District\*
- Stockton Municipal Utility Department \*

Lianne comment

4-5 employees gave lengthy prepared speeches to the board reflecting their view that SJWD is a fabulous place to work and that everyone there works hard and deserves the current compensation packages they have, which include: 100% employer paid pension contributions, 100% paid health, vision, & dental insurance (including for after retirement), 3 layers of pay raises (cost of living (COLA), merit, & promotion increases), and annual bonuses. At least two (and possibly more - can't remember) employees stated that they had once left SJWD for jobs elsewhere and ended up returning because they felt it was a wonderful place to work and had great benefits.

Areas of inaccuracies

- Only one employee has returned, and she came back for less pay and similar benefits. She was returning for the work ethic and can do attitude at SJWD.
- The employees talked about the excellent efficient staff at SJWD. They also discussed the salary and retirement are both included in the compensation studies.

Lianne comment

Fair Oaks water district expressed concern that their agency is holding the line on their rates in spite of having to absorb the 5% cost increase from SJWD; they are holding the line on compensation and tightening their belt elsewhere, while SJWD raises rates and gives out bonuses. It also expressed concern that the SJWD's GM report did not compare wages, salaries, health benefits, and retirement benefits to local water agencies to determine what a comparable benefits package should be. They agreed that SJWD has a professional, efficient, and courteous workforce, but that is exactly what is expected of any employee - including member agency employees.

Areas of inaccuracies

- FOWD is holding line on increases due to use of reserves and already high water rates. There was room in their budget to reduce costs and excess reserves available, or they could not have held to zero rate increases. FOWD is only now at the approximate same cost for customers (though this is based on a flat rate, as FOWD is not on a metered rate).
- SJWD's GM did not compare wages at all. The 2006 compensation study included wages, salaries, and retirement benefits.
- SJWD has significantly higher expectations of employees – understanding and discussions on outside issues such as delta and water rights and fees, as well as respect from larger agencies, is expected.

Lianne comment

Perhaps emboldened by the presence of so many employees, Directors Tobin and Costa felt at ease conducting themselves in a highly unprofessional manner, including eye-rolling, huffing, and whispering back and forth to each other behind cupped hands

during Director Peterson's presentation, his subsequent comments, and during ratepayers comments

Areas of inaccuracies

There were not any eye rolling, etc. Do not appreciate this type of slander.

Lianne comment

The board currently has three out of five directors who consistently vote in favor of continuing generous salary, benefit, and bonus payouts. As of today, this balance remains unchanged.

Areas of inaccuracies

Based on recent surveys, SJWD salaries and compensation is not generous, but rather around average.

Lianne comment

Several of you told me that you would be sending emails to the GM prior to the 12/14 workshop to express your opinion. No letters were included in the Director's packets at the workshop. If you wrote a letter, please let me know so I can ask the GM why they were not included in the board packets at the meeting.

Areas of inaccuracies

This is accusatory to the SJWD GM. All emails were provided to the Board of Directors by the GM. The GM has never withheld information from the Board of Directors in the past, so why would you accuse her of doing so now?

Lianne comment

Standard practice is for all board meetings to be recorded so that notes can be back-checked (even though the tapes are erased immediately after adoption of the minutes by the board). However, for this workshop, the GM directed staff not to record the meeting.

Areas of inaccuracies

The Board of Directors has never recorded board workshops in the past. The GM stated at the start of the meeting that the meeting was not being recorded unless requested by the Board of Directors. There was no request from the Directors present at that time.

The Board has elected to record all future meetings and workshops so these types of accusations can be reputed in the future.

**Public Information Committee Meeting Minutes  
San Juan Water District  
January 24, 2011  
8:30 a.m.**

Attendees: Ken Miller, Chair  
Ted Costa, Member  
Shauna Lorance, General Manager  
Judy Johnson, Customer Service Manager  
Teri Hart, Administrative Assistant/Board Secretary  
Nicole Quinonez, LucyCo

Topics: Review WaterGram  
Spring Conservation Event  
RWA Public Information Subscription Program  
Other Public Information Matters  
Public Comment

**1. Review Water Gram**

The committee reviewed the WaterGram and recommended minor revisions.

*For information, no action requested.*

**2. Spring Conservation Event**

Ms. Lorance informed the committee that a spring conservation event is scheduled for May 21, 2011. This event will be renamed and is coordinated in-house to keep costs down. The event will focus on conservation efforts to encourage customers to keep water use down.

*For information, no action requested.*

**3. RWA Public Information Subscription Program**

Ms. Lorance informed the committee that RWA is coordinating a Public Information Subscription Program. The Wholesale Customer Agencies decided to participate in this program individually and not under SJWD Wholesale; therefore, individual participation is at the discretion of each agency. The cost for each agency to participate in this program will depend on the size of the agency. The cost to SJWD retail is estimated be between \$10,000 and \$15,000.

The program is a continuation of the state lobbying efforts in that the public will receive information on fee increases due to legislation, potential large fees to support the water bond, spot bills for fees and significant issues in the legislature that may affect water rights.

*For information, no action requested.*

**4. Other Public Information Matters**

Director Miller suggested that items being discussed at the February Board Workshop be compiled into a written format that includes information on the item, the impact to the District, including financial impact, and a list of pros and cons for the Board members to review.

Director Miller inquired if the District funded rebate programs for grass replacement. Ms. Johnson informed the committee that the District researched this type of rebate program and it was considered too costly for customers.

Ms. Quinonez informed the committee that a press release was distributed regarding the District receiving the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

**5. Public Comment**

There was no public comment.

The meeting adjourned at 9:08 am.

**Engineering Committee Meeting Minutes**  
**San Juan Water District**  
**January 24, 2011**  
**9:30 a.m.**

**Attendees:** Dave Peterson, Chair  
Pam Tobin, Director  
Shauna Lorance, General Manager  
Keith Durkin, Assistant General Manager  
Rob Watson, Engineering Services Manager  
Tony Barela, Senior Engineer  
Teri Hart, Administrative Assistant/Board Secretary

**Topics:** FO 40 Pipeline Rehabilitation Project  
Other Engineering Matters  
Public Comment

**1. FO 40 Pipeline Rehabilitation Project**

Mr. Durkin provided an update to the committee on the project status. The committee reviewed and discussed the following items:

- October 18, 2010 Staff Report to Engineering Committee on Phase 1 Investigation. This report outlined the recommended project and construction phasing plan previously agreed to by FOWD, OVWC and SJWD (the "Agencies").
- October 15, 2010 draft Agreement for Ownership, Utilization, Operation, and Maintenance of the Fair Oaks 40-Inch Pipeline. This agreement included draft capacity and cost allocations for the pipeline. Capacity and cost allocations were based on data obtained from the new Wholesale Water Meters. Comments on the agreement were received from OVWC.
- November 3, 2010 email documenting a November 2<sup>nd</sup> meeting with Agencies to review project scope, phasing, schedule, cost, etc. and the draft Agreement. The email provided action items and completion dates.
- November 18, 2010 overall project schedule and estimated cash flow demand.
- December 15, 2010 email to Agencies with a recap of the project expenses to date.
- December 30, 2010 memo from Tom Gray regarding project funding. The memo suggested cost allocations for the project should be based on data obtained prior to installation of the new Wholesale Water Meters, or based on requested service levels from each Agency.
- January 10, 2011 memo from Keith Durkin to Tom Gray responding to the December 30<sup>th</sup> memo. The January 10<sup>th</sup> memo agreed that assigning capacity and costs based on requested service was a feasible approach, recognized that developing a final agreement could take several months, emphasized the urgency of continuing to move the project forward, and suggested that a Memorandum of Understanding be entered into between the

Agencies to document the Agencies general agreement on the project going forward and establish an interim cost sharing arrangement for initial project expenses.

The above documents are available for review upon request to SJWD staff.

Staff developed a draft Memorandum of Understanding (MOU) for use between FOWD, SJWD and OVWC based on the concepts of the January 10<sup>th</sup> memo to FOWD and per direction from the SJWD Directors at the January 12<sup>th</sup> Board meeting. The SJWD Directors would like to ensure that all Agencies are “on the same page” before the project proceeds much further. Staff received comments from OVWD on the draft MOU but has not yet received feedback from FOWD. The committee reviewed and recommended two additional clarifications to the MOU. A copy of the draft MOU is attached to these minutes.

Mr. Durkin reminded the committee that preliminary work to determine if the project qualifies for a statutory or categorical exemption under CEQA, prepare the CEQA Notice of Exemption and supporting documentation, and identify environmental permitting requirements including schedule and costs for obtaining permits on the ARC crossing has begun as reported to the Board at the last meeting.

The committee discussed the benefits of, and recommended scheduling, a joint meeting between the SJWD Engineering Committee and the FOWD Technical Committee. The joint meeting would be for the purpose of reviewing the draft MOU, discussing questions and comments, and expediting approval of the MOU by each agency. Overall project questions or concerns could also be discussed. SJWD would like each Agency to approve the MOU at their regularly scheduled February Board meetings.

*The Engineering Committee recommends consideration of a motion to approve the Memorandum of Understanding between Fair Oaks Water District, Orange Vale Water Company and San Juan Water District for the FO 40 Pipeline Rehabilitation Project.*

**2. Other Engineering Matters**

There were no other matters discussed.

**3. Public Comment**

There was no public comment.

The meeting was adjourned at 11:10 a.m.

# **MEMORANDUM OF UNDERSTANDING REGARDING THE FAIR OAKS 40-INCH PIPELINE REHABILITATION PROJECT**

This memorandum of understanding (hereinafter "MOU") is entered into on \_\_\_\_\_, 2011, by and between the Fair Oaks Water District (hereinafter "FOWD"), the Orange Vale Water Company (hereinafter "OVWC"), and San Juan Water District (hereinafter "SJWD"), collectively referred to as the "Agencies". The purpose of this MOU is to memorialize the understanding and agreement of the Agencies regarding initial work associated with planning, engineering, environmental compliance, permitting, and construction for the repair and rehabilitation of the existing Fair Oaks 40-inch diameter pipeline (FO40) while a formal agreement for the project is developed by the Agencies.

## **RECITALS**

1. There is a need for repair and rehabilitation of the existing Fair Oaks 40-inch diameter pipeline (FO40) to extend the life expectancy of the pipeline. All work associated with this repair and rehabilitation, including investigations and planning, engineering, environmental compliance, permitting, construction, and construction management is referred to as the "Project".
2. The Agencies have agreed to complete the Project in order to continue providing water deliveries to the Agencies through the pipeline. The Agencies agree that the Project consists of the following phases of work:
  - Phase 1: Replacing the existing piping crossing the American River Canyon (ARC) with a new, self-supporting pipeline span that meets modern design standards. This phase includes completing CEQA review and design during early 2010 to allow construction of the new crossing during winter months of 2011-2012.
  - Phase 2: Constructing additional isolation line valves, air valves, and blow-offs along the pipeline to facilitate maintenance and make the pipeline fully operational. Design and construction will run concurrent with, and be accomplished as part of the contract for Phase 1.
  - Phase 3: Installing an impressed current cathodic protection system to halt the progress of corrosion on the exterior of the pipeline. It is anticipated this work will be completed during 2012.
  - Phase 4: Identifying the joints along the pipeline that pose the greatest risk to water supply reliability and public or private property in the event of a failure or major leak. Identifying pipeline joints that have significant spalling and cracking of the mortar lining and corrosion that should be addressed. The welding and repair of these joints is scheduled for 2012.

- Phase 4 (continued): Identifying the internal surfaces of the pipeline exhibiting spalling, cracking, and corrosion. Repair these areas of pipe and mortar lining concurrent with the joint repairs identified above during 2012.
- Phase 5: Instituting a maintenance program that includes an internal inspection of the FO40 every three to five years to monitor the pipeline joints for accelerating deterioration. Weld the remaining joints and complete other necessary internal pipeline repairs and rehabilitation while the pipe remains in satisfactory condition to extend its life a minimum additional fifty years.

3. It is the intent of the Agencies to enter into an Agreement for ownership, utilization, operation and maintenance of the FO 40-inch diameter pipeline (hereinafter "Agreement"). This Agreement will [confirm SJWD's ownership of the pipeline and allocate pipeline capacity and costs for operation, maintenance, capital replacements and repairs of the pipeline, including costs of the this Project.](#) The Agreement is under development, but may take several months to complete.

4. As a service to the Agencies, San Juan Water District Wholesale has paid expenses necessary for, and directed the work required to complete preliminary investigations, initial planning, and engineering work to determine the recommended Project. As the owner of the pipeline, San Juan Water District Wholesale will continue to manage and direct the Project. It is the intent of the Agencies to promptly reimburse San Juan Water District Wholesale for expenses on the Project to date and future Project expenses as provided for in this MOU.

5. The Agencies agree there is urgency for moving forward with critical portions of the Project. At a minimum, the time sensitive and critical work includes environmental compliance, permitting, and engineering for the pipeline crossing the American River Canyon. This MOU covers work necessary to complete critical portions of the Project prior to execution of the Agreement.

## UNDERSTANDING

1. **Incorporation of recitals.** The foregoing recitals are incorporated herein by reference.

2. **Lead Agency.** SJWD will continue to be the lead Agency for the Project.

3. **Scope of MOU.** The Agencies agree this MOU covers Project work completed prior to the date of this MOU and Phases 1 and 2 as described above.

4. **Cost Sharing.** Cost sharing for the Project will be based on the percentage of pipeline capacity allocated to each Agency, or by some other agreed upon methodology. The Agencies acknowledge that each Agency's cost share has not been identified and will be determined as part of the final Agreement. As such, the Agencies agree to allocate a percentage of the total costs to date and through the term of this MOU as follows:

FOWD – 75% of total costs

SJWD Retail – 10% of total costs

OVWC – 3% of total costs

San Juan Water District Wholesale will continue to hold 12-percent of the total Project costs until the final Agreement is executed at which time invoices will be sent to each Agency reconciling the amount paid by each Agency to the actual amount owed for the Project to that date per the Agreement.

**5. Invoices and Payments.** SJWD will provide itemized invoices to the Agencies monthly. Should an Agency dispute any portion of any invoice, the Agency shall pay the undisputed portion and at the same time advise SJWD in writing of the disputed portion. The Agency and SJWD will work to resolve disputed amounts as quickly as possible. Non-payment of invoices will result in the following penalties and interest charges due to SJWD by an Agency that is delinquent as of 45 days after receipt of the invoice from SJWD, or 2 weeks after the first Board of Directors meeting following receipt of invoice, whichever is later: (1) a 10% penalty; and (2) 1% per month in interest on the delinquent amount until paid in full. Disputed portions of invoices will not be subject to penalties or interest.

**6. Term of MOU.** This MOU will be effective as of the date written above and will remain in effect until the execution of an Agreement for Ownership, Utilization, Operation and Maintenance of the Fair Oaks 40-Inch Diameter Pipeline. In no case shall this MOU remain in effect past the completion of Phases 1 and 2 of the Project as described above unless amended.

**7. Amendment.** The terms of this MOU (including but not limited to the cost allocation provisions) may be modified or amended only by a subsequent written amendment approved and executed by all the Agencies.

**8. Counterparts.** This MOU may be executed in counterparts.

SAN JUAN WATER DISTRICT

By: \_\_\_\_\_  
Edward J. "Ted" Costa  
President, Board of Directors

Attest: \_\_\_\_\_  
Teri Hart  
Secretary of the Board

FAIR OAKS WATER DISTRICT

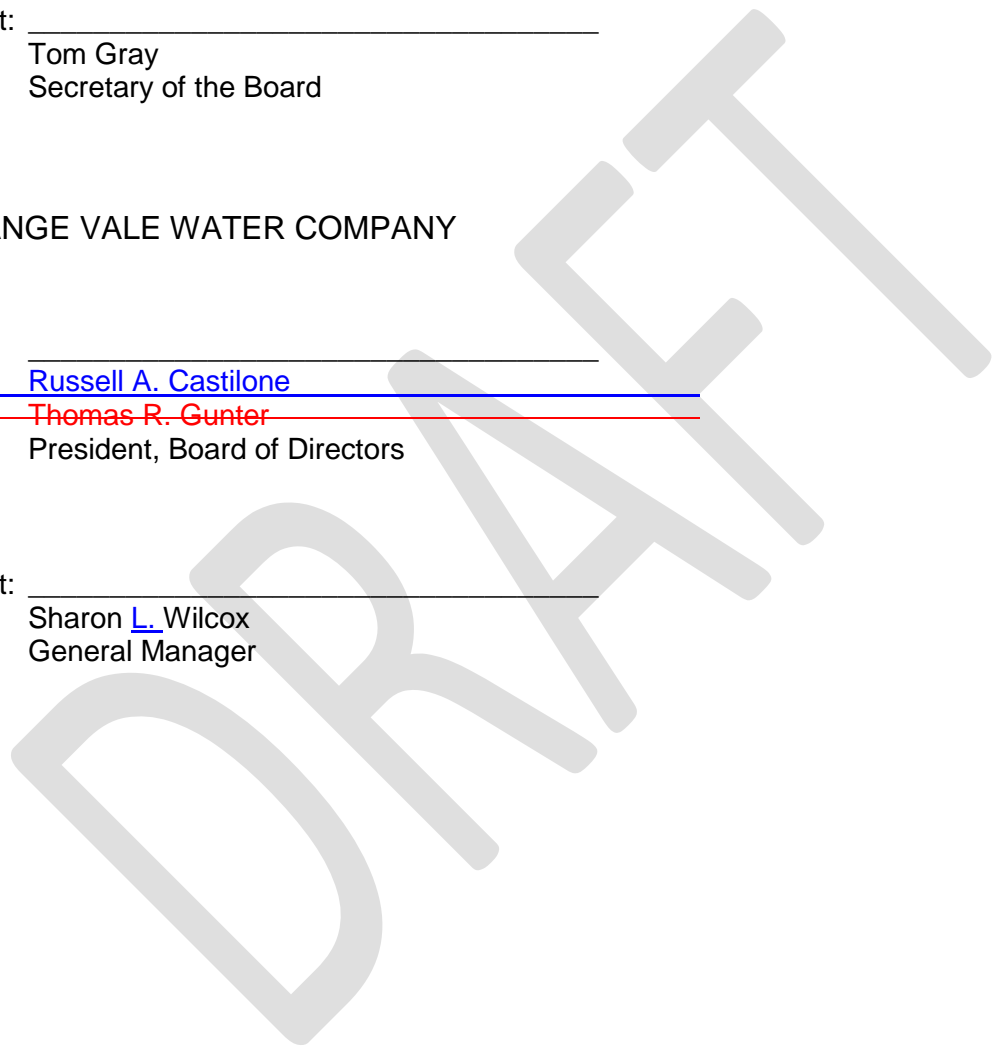
By: \_\_\_\_\_  
Randy Marx  
President, Board of Directors

Attest: \_\_\_\_\_  
Tom Gray  
Secretary of the Board

ORANGE VALE WATER COMPANY

By: \_\_\_\_\_  
Russell A. Castilone  
~~Thomas R. Gunter~~  
President, Board of Directors

Attest: \_\_\_\_\_  
Sharon L. Wilcox  
General Manager



**Finance Committee Meeting Minutes  
San Juan Water District  
February 8, 2011  
4:00 p.m.**

**Committee Members:** Ted Costa, Director (Chair)  
Ken Miller, Director (Alternate)

**District Staff:** Shauna Lorance, General Manager  
Keith Durkin, Assistant General Manager  
Mary Morris, Finance and Administrative Services Manager  
Teri Hart, Administrative Assistant/Board Secretary

**Topics:** Review and Pay Bills  
Wholesale Customer Agency Water Supply Contracts  
Penalties and Interest for Delinquent Water Charges  
Wholesale Customer Agency Outstanding Invoices  
Fair Oaks 40-inch Pipeline Update  
WTP Process Pump Maintenance  
Water Treatment Plant Filter Repair Project  
Flexibility in Scheduling Finance Committee Meeting  
Other Finance Matters  
Public Comment

**1. Review and Pay Bills**

The committee reviewed the presented bills and claims. In accordance with recommended practices, the committee specifically reviews any credit card charges and reimbursements for the General Manager and Assistant General Manager. The reviewed bills and claims were found to be in order.

Ms. Morris informed the committee that the debt service payment on the 2003 and 2009 COPs totaling \$2.2 million was paid on January 27, 2011, as per the District's contractual agreement.

*Staff update: the total amount of bills and claims provided for approval for January payables is \$1,350,731.30.*

*The Finance Committee recommends approval of Resolution 11-04.*

**2. Wholesale Customer Agency Water Supply Contracts**

Ms. Lorance informed the committee that final revisions to the contracts were made to reflect comments from Fair Oaks Water District. She provided a staff report which will be attached to the original meeting minutes. The committee discussed the proposed revisions to the contract and agreed with staff recommendations.

The Finance Committee recommends adoption of Resolution No. 11-02 modifying wholesale customer agency water supply contracts.

**3. Penalties and Interest for Delinquent Water Charges**

Ms. Lorance informed the Finance Committee that the proposed 150 day notice for the implementation of penalties and interest charges on delinquent water charges was provided to the General Managers and the executive committee, and the 150 day period will be completed this month. She provided a staff report which will be attached to the original meeting minutes. The District received some comments for minor changes, which have been incorporated into the policy. Ms. Lorance reported that in order to comply with the 150 days notice requirement, the Board of Directors cannot adopt the delinquency policy until the February 23<sup>rd</sup> Board of Directors meeting.

The Finance Committee recommends adoption of the proposed delinquency policy at the February 23, 2011 Board of Directors meeting.

**4. Wholesale Customer Agency Outstanding Invoices**

Ms. Lorance informed the committee that invoices were sent to the Wholesale Customer Agencies in December which covered the fixed and debt service portion of the water charges. The water usage charge will be billed in arrears in April. The invoices were due in January and to date the District has received payment from all agencies, except Fair Oaks Water District.

The committee discussed the issue and suggested that Ms. Morris contact FOWD to discuss the issue and find out if the invoice will be approved for payment at FOWD's February board meeting.

For information only; no action requested.

**5. Fair Oaks 40-inch Pipeline Update**

Mr. Durkin informed the committee that the District would like a written agreement on the initial work and the work going forward on the Fair Oaks 40-inch Pipeline Project. Due to the time frame that will likely be necessary to negotiate the final agreement for capital construction costs as well as O&M, the agencies agreed that an MOU would be beneficial for the initial stages of the project. Several attempts have been made to coordinate a joint meeting with the SJWD Engineering Committee and the FOWD Technical Advisory Committee; however, the meeting has not been scheduled as the District is awaiting coordination efforts from FOWD. The Orange Vale Water Company will also be invited to the meeting. OVWC has already provided their comments to the MOU and Agreement.

Mr. Durkin commented that until a formal cost allocation is developed, the MOU would include a temporary allocation of costs, including a share to SJWD Wholesale. The SJWD Wholesale percentage would be reimbursed once the final project allocation is identified.

The committee discussed the issue. Mr. Durkin will report back on the item.

For information only; no action requested.

**6. WTP Process Pump Maintenance**

Mr. Durkin informed the committee that emergency repair was needed on two WTP process pumps which supply water for various needs at the plant. The cost for rebuilding both pumps was just over \$20,000, which fell above the General Manager's normal authorization limit; however, since this was an emergency, the General Manager approved the cost, which was not in the budget. The WTP staff presented an alternative of delaying other capital improvement projects to cover the cost. The committee discussed the issue and suggested that the cost be allocated as a capital improvement project which would be covered by the savings on the Water Treatment Plant Filter Repair Project

*For information only; no action requested.*

**7. Water Treatment Plant Filter Repair Project**

Mr. Durkin informed the committee that the WTP Filter Repair Project was underway and in the course of repairs, it has been determined that more work is needed. A change order is necessary to address saw cutting approximately 400 feet of concrete at the floor and wall expansion joints to achieve a straight, consistent 2-inch wide joint, and replacing the expansion joint material and sealant. The contractor has submitted a quote of \$23,115 to complete the saw cutting and prep work in the south filter basin. The change in cost for the wider joint filler material and caulking is estimated to be an additional \$3,600. The District anticipates a similar change order work requirement in the north filter basin.

The addition of this change order work to the contract will result in the contract amount exceeding the authorized contract budget; however, the project will remain under the 2010/2011 Wholesale Capital Improvement Program Budget. Mr. Durkin provided a copy of a staff report on this issue to the committee, which will be attached to the original meeting minutes. The committee discussed the change orders and agreed with staff recommendations.

*The Finance Committee recommends consideration of a motion to 1) approve Change Order No. 2 to the contract in the amount of \$23,115 to cover the additional work by Koch Excavating, Inc., and 2) approve increasing the total authorized not-to-exceed construction budget to \$182,000 to cover these change orders and provide a contingency of approximately \$10,000 for any other unforeseen conditions.*

**8. Flexibility in Scheduling Finance Committee Meeting**

Ms. Lorance informed the committee that Director Peterson requested that the Finance Committee have some flexibility in the meeting date and time. The committee discussed the request for flexible scheduling of the finance committee meeting and elected to keep the current schedule. President Costa suggested that if a committee member cannot attend the meeting and has information that they want addressed, then they should communicate in advance of the meeting.

*For information only; no action requested.*

**9. Other Finance Matters**

Ms. Lorange provided the committee with a detailed list of reserves for both Wholesale and Retail. A copy of the document will be attached to the original meeting minutes.

Ms. Morris informed the committee that the California Oregon Transmission Pipeline (COTP) lease payment in the amount of \$42,000 was received from SMUD.

*For information only; no action requested.*

**10. Public Comment**

There was no public comment.

The meeting was adjourned at 5:10 p.m.

RESOLUTION NO. 11-02

**A RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE SAN JUAN WATER DISTRICT  
APPROVING AMENDMENTS TO WHOLESALE WATER SUPPLY AGREEMENTS  
TO PERMIT BILLING IN ARREARS FOR WATER DELIVERIES**

WHEREAS, San Juan Water District (SJWD) currently bills Orange Vale Water Company, Citrus Heights Water District, Fair Oaks Water District and the SJWD retail service area (Wholesale Customer Agencies) all wholesale water service charges in advance each quarter based on historical water usage;

WHEREAS, the Board of Directors of SJWD has been requested by the Wholesale Customer Agencies to begin billing the consumption portion of the wholesale water service charges in arrears to avoid the cost and inconvenience of reconciling estimated and actual annual consumption charges incurred by those agencies; and

WHEREAS, billing in arrears will reduce SJWD wholesale staff time and costs for reconciling wholesale water bills at the end of each calendar year, and save processing and other costs which are now, and may be in the future, incurred by the retail customers of the district.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Juan Water District as follows:

1. The Board hereby approves the attached Amendment No. 1 to each of the Wholesale Water Supply Agreements between the Wholesale Customer Agencies and SJWD for the purpose of commencing the practice of billing in arrears for the consumption component of wholesale water supplies.

2. The General Manager or her designee is directed to implement the change in billing for the consumption component of wholesale water supplies as provided in the attached amendments.

PASSED AND ADOPTED this 9th day of February 2011, by the following vote:

AYES: DIRECTORS:  
NOES: DIRECTORS:  
ABSENT: DIRECTORS:

\_\_\_\_\_  
EDWARD (TED) COSTA  
President, Board of Directors

ATTEST:

\_\_\_\_\_  
TERI HART  
Secretary, Board of Directors

**AMENDMENT NO. 1 TO  
SAN JUAN WATER DISTRICT AND FAIR OAKS WATER DISTRICT  
WHOLESALE WATER SUPPLY AGREEMENT**

This Amendment No. 1 to the Wholesale Water Supply Agreement (entered into as of May 2008, Agreement) by and between San Juan Water District, a public agency (“San Juan”), and Fair Oaks Water District, a public agency (“Fair Oaks”), is entered into as of January 1, 2011 (the “Effective Date”). San Juan and Fair Oaks are referred to as the “Parties.”

**RECITAL**

Existing Section 11 of the Agreement provides that San Juan will bill Fair Oaks in advance for all charges related to wholesale water service provided by San Juan. The Parties desire to terminate the practice of billing in advance for the consumption component of wholesale water service charges in order to avoid the cost and inconvenience of annual reconciliations of the amount of the estimated consumption charges paid in advance with the charges for the amount of water actually delivered. San Juan and Fair Oaks instead agree that the consumption charges will be billed in arrears based the amount of water actually measured and delivered by San Juan to Fair Oaks in the previous calendar quarter.

The Parties agree as follows:

1. **Recital Incorporated.** The foregoing recital is incorporated by reference.
2. **Amendment of Section 11.** Section 11 of the Agreement is amended as follows:

**11. Water Rates and Charges.**

**A. Wholesale Water Rates and Charges.** San Juan will set wholesale water rates and charges from time to time for making treated water supplies available to Fair Oaks, and other agencies that contract for wholesale water supplies from San Juan, to recover San Juan’s costs of making treated water supplies available, including without limitation, the cost of untreated water under San Juan’s Water Rights and Water Entitlements, and the cost of operation, maintenance, repair, replacement of, and capital improvements to, San Juan’s Water Treatment and Conveyance Facilities. San Juan’s wholesale water rates and charges will include the melded cost of water from San Juan’s Water Rights and Water Entitlements. San Juan’s wholesale water rates and charges will include interest and penalties for delinquent payments, as appropriate. San Juan will determine its wholesale water rates and charges based on cost-of-service principles and other applicable provisions of law. San Juan will ensure that revenues collected by San Juan from Fair Oaks and other Member Agencies for wholesale water service are equitably used for the benefit of such wholesale water customers. San Juan will provide Fair Oaks with 150 days’ advance written notice of proposed changes in water rates and charges under this Agreement, provide Fair Oaks an opportunity to comment on such proposed changes prior to adoption of changes by San Juan, and account for Fair Oaks’ comments in making its determination. Changes in water rates and charges will typically be effective as of January 1 of the calendar year following adoption by San Juan.

**B. Schedule for Payment.** San Juan will bill Fair Oaks quarterly in advance for

one-quarter of the annual water service charge and one-quarter of any required debt service payments. San Juan will bill Fair Oaks in arrears for actual water deliveries provided to Fair Oaks during the prior calendar quarter under this Agreement. San Juan will bill Fair Oaks during the month following the end of each calendar quarter.

In the event that the measurements for water deliveries to Fair Oaks based upon San Juan's water measurement facility or facilities are determined to be incomplete or inaccurate, San Juan and Fair Oaks shall collaborate and agree on how to determine a reasonable estimate of water delivered to Fair Oaks. Said estimate methods may include, but are not limited to, utilization of Fair Oaks in-series water measurement facilities, summation of Fair Oaks water deliveries to its retail customers, comparison to a prior time period, or other method mutually acceptable to the parties and approved by the Fair Oaks and San Juan Boards of Directors.

**3. Effect of Amendment.** The remaining provisions of the Agreement will remain in full force and effect.

The foregoing is hereby agreed to by the Parties and executed in counterpart duplicate originals as of the Effective Date of this Amendment No. 1.

SAN JUAN WATER DISTRICT

FAIR OAKS WATER DISTRICT

By \_\_\_\_\_  
Edward (Ted) Costa, President  
President, Board of Directors

By \_\_\_\_\_  
Randy Marx, President  
President, Board of Directors

ATTEST:

By \_\_\_\_\_  
Teri Hart, Secretary

By \_\_\_\_\_  
Tom R. Gray, Secretary

Approved as to form:

\_\_\_\_\_  
Paul M. Bartkiewicz, Legal Counsel  
Bartkiewicz, Kronick & Shanahan

By \_\_\_\_\_  
Jeffrey A. Mitchell, Legal Counsel  
Kronick, Moskovitz, Tiedemann & Girard

## STAFF REPORT

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To: Board of Directors  
From: Shauna Lorange, General Manager  
Date: February 2, 2011  
Subject: Penalties and Interest for Delinquent Water Charges

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### **Background**

Section 11 of the Wholesale Water Supply Agreements with wholesale customer agencies sets forth provisions related to water rates and charges for making treated water supplies available. Under Section 11, SJWD's wholesale water rates and charges are to include interest and penalties for delinquent payments, as appropriate. SJWD current wholesale water rates and charges do not include penalties or interest for delinquent charges, as these charges have not been required in the past.

However, there have been situations in the recent past where penalty and interest charges would have been appropriate. SJWD Board of Directors provided direction to staff at the August 2010 Board meeting to provide the required 150 day notice to the wholesale customer agencies that the Board is considering adoption of delinquent charges.

### **Current Status**

Staff sent out the proposed policy to wholesale customer agencies for comment. Comments were received from CHWD, and the intent of the comments was incorporated into the proposed policy.

The proposed policy is as follows:

Effective no earlier than 150 days after advance written notice is provided to San Juan's wholesale customer agencies, the following penalties and interest will apply to any charges due to San Juan by a wholesale customer agency under a wholesale water supply agreement that are delinquent as of 45 days after receipt (as identified in Section F of the agreement) of the invoice from San Juan, or 2 weeks after the next scheduled wholesale customer agency board meeting after receipt of the invoice from San Juan, whichever is later: (1) a 10% penalty; and (2) 1% per month in interest on the delinquent balance until paid in full. These penalties and interest will not apply to delinquencies that are outstanding prior to the effective date of this change in San Juan's wholesale water rates and charges.

To comply with the 150 days notice requirement, the Board of Directors cannot adopt the delinquency policy until the February 23 Board of Directors Meeting.

**Budget Impact**

If all invoices are paid on time, there will be no impact to the budget. If invoices are delinquent, then the charges are intended to offset the costs to SJWD wholesale related to delayed payment. The intent of the penalty charge is to provide an incentive to pay invoices on time.

**Staff Recommendation**

Staff recommends the finance committee recommend adoption of the proposed delinquency policy at the February 23, 2011 Board of Directors meeting.

**District Policy V.5.4.1**  
**Penalties and Interest for Delinquent Water Charges under San Juan Water District's Wholesale Water Supply Agreements**

The following sets forth a draft proposal recommended by the San Juan Water District legal affairs committee to include penalties and interest on delinquent water charges under San Juan Water District's wholesale water supply agreements.

**Background**

San Juan has entered into a wholesale water supply agreement with Citrus Heights Water District, Fair Oaks Water District, the City of Folsom and Orangevale Water Company. Section 11 of the agreement sets forth provisions related to water rates and charges for making treated water supplies available. Under section 11A and B of the agreement:

- San Juan adopts wholesale water rates and charges from time to time.
- San Juan provides wholesale agencies 150 days' advance written notice of proposed changes in water rates and charges, provides the wholesale [water customer](#) agencies an opportunity to comment on the proposed changes prior to adoption and accounts for the comments of the wholesale [customer](#) agencies in making San Juan's determination.
- San Juan bills the wholesale [customer](#) agencies a minimum of 15 days prior to the beginning of each quarter, and payment is due within 30 days from the beginning of each quarter.
- San Juan's wholesale water rates and charges may include interest and penalties for delinquent payments, as appropriate.

San Juan's current wholesale water rates and charges do not include penalties or interest for delinquent payments. The San Juan Board of Directors believes that it is prudent and reasonable to provide for penalties and interest on delinquent payments under the wholesale water agreements.

**Penalties and Interest for Delinquent Water Charges**

Effective no earlier than 150 days after advance written notice is provided to San Juan's wholesale [customer](#) agencies, the following penalties and interest will apply to any charges due to San Juan by a wholesale [customer](#) agency under a wholesale water supply agreement that are delinquent as of 45 days after receipt [\(as identified in Section F of the agreement\)](#) of the invoice from San Juan, [or 2 weeks after the next scheduled wholesale customer agency board meeting after receipt of the invoice from San Juan, whichever is later](#): (1) a 10% penalty; and (2) 1% per month in interest on the delinquent [amount balance](#) until paid in full. These penalties and interest will not apply to delinquencies that are outstanding prior to the effective date of this change in San Juan's wholesale water rates and charges.

# STAFF REPORT

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To: Board of Directors

From: Keith Durkin  
Assistant General Manager

Date: February 8, 2011

Subject: Water Treatment Plant Filter Repair Project

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## **Background**

The District awarded the construction contract for the Water Treatment Plant Filter Repair Project to Koch Excavating, Inc. The approved not-to-exceed contract budget amount is \$130,803.

## **Status**

Work on the project is proceeding satisfactorily. The work includes replacing the expansion joint material and sealant at the floor and wall joints. As-built drawings indicate the joints are 1-inch joints. Now that the joints are exposed, field measurements indicate they vary from 1-inch to 2-inches wide, with the majority of the joints closer to 2-inches.

A change order is necessary to address saw cutting approximately 400 feet of concrete to achieve a straight, consistent 2-inch wide joint. The contractor has submitted a quote of \$23,115 to complete this work in the south filter basin. The change in cost for the wider joint filler material and caulking is estimated to be an additional \$3,600. We anticipate a similar change order work requirement in the north filter basin. The addition of this change order work to the contract will result in the contract amount exceeding the authorized budget.

## **Staff Recommendation**

Staff recommends a motion to 1) approve Change Order No. 2 to the contract in the amount of \$23,115 to cover the additional work by Koch Excavating, Inc., and 2) approve increasing the total authorized not-to-exceed construction budget to \$182,000 to cover Change Order No. 2, a similar change order for the north filter basin, the cost of additional joint filler material and caulking in both basins, and provide a contingency of approximately \$10,000 for any other unforeseen conditions.

## **Budget Impact**

The Water Treatment Plant Filter Repair Project was included in the 2010/2011 Wholesale Capital Improvement Program Budget in the amount of \$230,000. Even with this change to the construction contract, the project will remain under budget.

**SAN JUAN WATER DISTRICT**  
**WHOLESALE RESERVE FUNDS**

**Restricted COP Debt Service Reserve Fund**

Description

The Restricted COP Reserve Fund was established to accumulate funds held in reserve by Union Bank of California for the final principal and interest payment on the 1993, 2003 and 2009 Revenue Certificates of Participation.

The funds accumulated and held in reserve by Bank of America is for the semi-annual payments of principal and interest due in February and August, and debt service coverage paid by participating agencies.

Required Amount of Fund

The required amount for the Restricted COP Reserve Fund is determined based on the COPS currently outstanding, and is for the final payment of principle and interest due on the outstanding COPS. The amount for the semi-annual payments of principal and interest varies depending on time of year.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. The use of the monies in the fund are restricted to the purposes of the fund.

Fund Amount

Fund amount as of June 30, 2010 = \$3,014,731.66

Amount added (subtracted) from fund during 2010/2011 fiscal year = \$39.00

Fund amount as of December 31, 2010 = \$3,014,770.66

**SAN JUAN WATER DISTRICT**  
**WHOLESALE RESERVE FUNDS**

**Restricted Employee Reserve Fund**

Description

The Restricted Employee Reserve Fund was established to accumulate funds for employees' pre-tax monies to be held in trust by the District for Dependent Care and Unreimbursed Medical expenses. The funds are held in reserve to pay claims submitted by enrolled employees.

Required Amount of Fund

The amount held in reserve for Dependent Care and Unreimbursed Medical expenses depends on the election amounts by employees to contribute to their fund, and the status of paid claims.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. The use of the monies in the fund are restricted to the purposes of the fund.

Fund Amount

Fund amount as of June 30, 2010 = \$3491.65

Amount added (subtracted) from fund during 2010/2011 fiscal year = \$0

Fund amount as of December 31, 2010 = \$3491.65

**SAN JUAN WATER DISTRICT**  
**WHOLESALE RESERVE FUNDS**

**Operating Reserve Fund**

Description

The Wholesale Operating Reserve was established with the development of the 1998 Wholesale Water Rate Study and Financial Plan. The Wholesale Operating Reserve Fund provides working capital for wholesale operations, as well as provide readily available funds for unexpected needs and accommodate modest variations in deliveries to wholesale customers. The 1998 financial plan gradually built the operating reserve over the five-year planning period, beginning in 1999.

Recommended Amount of Fund

The fund is recommended to include at least 20 percent of annual operating expenditures, including water supply costs.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. The intent of the fund is to use for working capital for day to day paying of bills, etc. The use of the fund is within the authority of the Board of Directors.

Fund Amount

Fund amount as of June 30, 2010 = \$2,000,755.35

Amount added (subtracted) from fund during 2010/2011 fiscal year =  
\$1,833,962.00

Fund amount as of December 31, 2010 = \$3,834,717.35

**SAN JUAN WATER DISTRICT**  
**WHOLESALE RESERVE FUNDS**

**Rate Stabilization Reserve Fund**

Description

The Wholesale Rate Stabilization Reserve Fund was established with the development of the 1998 Wholesale Water Rate Study and Financial Plan. The rate Stabilization Reserve Fund is to help ensure financial and rate stability for wholesale customers. With the elimination of minimum charges for water usage the District's wholesale rate revenues will fluctuate with changes in wholesale deliveries. While the service charge is intended to recover the District's fixed costs, some costs included in the commodity rate will not change with changes in wholesale water purchases.

Recommended Amount of Fund

The Rate Stabilization Reserve Fund is recommended to be \$1 million.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. The intent of the fund is to use for unexpected costs to reduce financial and rate variability for wholesale customers. The use of the fund is within the authority of the Board of Directors.

Fund Amount

Fund amount as of June 30, 2010 = \$1,000,000.00

Amount added (subtracted) from fund during 2010/2011 fiscal year = \$0

Fund amount as of December 31, 2010 = \$1,000,000.00

**SAN JUAN WATER DISTRICT**  
**WHOLESALE RESERVE FUNDS**

**Restricted PERS/OPEB Reserve Fund**

Description

The Restricted PERS/OPEB Reserve Funds were established to accumulate funds for two separate purposes. The first is the reserve fund for PERS stabilization, which was established to level out the amount budgeted for PERS payments on an annual basis. The OPEB funding is also temporarily included in this fund until analysis of what trust fund should be used is completed.

Required Amount of Fund

SJWD budgets for the normal cost of PERS retirement that is estimated by an actuarial evaluation as an average payment over an extended period of time. When the actual PERS costs are lower than the normal costs, the difference is placed in this fund. When the PERS costs are higher than the normal costs, the difference is withdrawn from this fund.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. The use of the monies in the fund are restricted to the purposes of the fund.

Fund Amount

Fund amount as of June 30, 2010 = \$415,526.00

Amount added (subtracted) from fund during 2010/2011 fiscal year = \$51,010.00

Fund amount as of December 31, 2010 = \$466,536.00

**SAN JUAN WATER DISTRICT**  
**WHOLESALE RESERVE FUNDS**

**Compensated Absence Reserve Fund**

Description

The Compensated Absence Reserve Fund was established to accumulate funds for accrued employees vacation and sick leave time.

Required Amount of Fund

The amount held in reserve for accrued employees vacation and sick leave time is dependent on the dollar value of the accrued vacation and vested sick leave amounts.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. The use of the monies in the fund are restricted to the purposes of the fund.

Fund Amount

Fund amount as of June 30, 2010 = \$338,740.00

Amount added (subtracted) from fund during 2010/2011 fiscal year = \$823.00

Fund amount as of December 31, 2010 = \$339,563.00

**SAN JUAN WATER DISTRICT**  
**WHOLESALE RESERVE FUNDS**

**Connection Fee Reserve Fund**

Description

The Wholesale Connection Fee Reserve Fund was established with the development of the 1998 Wholesale Water Rate Study and Financial Plan. The Connection Fee Reserve Fund represents funds available for capital replacements, rehabilitation, upgrades, and improvements that provide additional capacity for future development. The reserve fund is funded through connection fees paid by new connections to the District water distribution system.

Recommended Amount of Fund

The Connection Fee Reserve Fund recommended amount fluctuates based on capital improvements planned and completed. The recommended amount is listed in the current Wholesale Financial Plan.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. This fund must be used to fund projects for future development that provide additional capacity to handle future development. The Board has the authority to make the decision on which projects to fund as long as they benefit future customers.

Fund Amount

Fund amount as of June 30, 2010 = \$109,421.00

Amount added (subtracted) from fund during 2010/2011 fiscal year = \$3,711.00

Fund amount as of December 31, 2010 = \$113,132.00

**SAN JUAN WATER DISTRICT**  
**WHOLESALE RESERVE FUNDS**

**Capital Improvement Program Reserve Fund**

Description

The Wholesale Capital Improvement Reserve Fund was established with the development of the 1998 Wholesale Water Rate Study and Financial Plan. The Capital Improvement Reserve Fund represents funds available for capital replacements, rehabilitation, upgrades, and improvements. The reserve fund is funded through planned contributions as designated by the Board of Directors.

Recommended Amount of Fund

The Capital Improvement Reserve Fund recommended amount fluctuates based on capital improvements planned and completed. The recommended amount is listed in the current Wholesale Financial Plan.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. The intent of the fund is to use for planned capital replacements, rehabilitation, upgrades and improvements. The use of the funds is not for future development. The use of the fund is intended for projects that benefit existing customers, but is within the authority of the Board of Directors.

Fund Amount

Fund amount as of June 30, 2010 = \$12,747,818.00

Amount added (subtracted) from fund during 2010/2011 fiscal year =  
\$1,497,876.00

Fund amount as of December 31, 2010 = \$14,245,694.00

**SAN JUAN WATER DISTRICT**  
**WHOLESALE RESERVE FUNDS**

**Hinkle Lining Sinking Reserve Fund**

Description

The Wholesale Hinkle Lining Sinking Reserve Fund was established in the 1980s. The Hinkle Lining Sinking Reserve Fund accumulates monies for the eventual replacement of the lining and cover for Hinkle Reservoir. The Wholesale Hinkle Lining Sinking Reserve Fund is shown as a reserve within the Wholesale Capital Fund.

Recommended Amount of Fund

There is not a recommended amount for this fund. \$50,000 is added to this fund at the end of each fiscal year.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. The intent of the fund is to use for the future replacement of the lining and cover of the Hinkle Reservoir. The use of the fund is within the authority of the Board of Directors.

Fund Amount

Fund amount as of June 30, 2010 = \$2,255,129.00  
Amount added (subtracted) from fund during 2010/2011 fiscal year = \$12,500.00  
Fund amount as of December 31, 2010 = \$2,267,629.00

**SAN JUAN WATER DISTRICT**  
**WHOLESALE RESERVE FUNDS**

**Vehicle and Equipment Reserve Fund**

Description

The Wholesale Vehicle and Equipment Reserve Fund was established to accumulate sufficient funds to replace vehicles and equipment on an annual basis, and larger equipment on an as-need basis.

Recommended Amount of Fund

The recommended amount for the Vehicle and Equipment Reserve fund varies depending on the future planned replacements of vehicles and equipment.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. The intent of the fund is to use for the future replacement of vehicles and equipment. The use of the vehicle and equipment reserve fund is within the authority of the Board of Directors.

Fund Amount

Fund amount as of June 30, 2010 = \$50,000.00

Amount added (subtracted) from fund during 2010/2011 fiscal year = \$0

Fund amount as of December 31, 2010 = \$50,000.00

**SAN JUAN WATER DISTRICT**  
**RETAIL RESERVE FUNDS**

**Restricted COP Reserve Fund**

Description

The Restricted COP Reserve Fund accumulates and holds in reserve monies for the semi-annual payments of principal and interest due in February and August.

Required Amount of Fund

The required amount for the Restricted COP Reserve Fund varies depending on time of year, and the status of the semi-annual payments.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. The use of the monies in the fund are restricted to the purposes of the fund.

Fund Amount

Fund amount as of June 30, 2010 = \$1,821,037.59

Amount added (subtracted) from fund during 2010 fiscal year to date = \$0

Fund amount as of December 31, 2010 = \$1,821,037.59

**SAN JUAN WATER DISTRICT**  
**RETAIL RESERVE FUNDS**

**Restricted EDA Loan Debt Reserve Fund**

Description

The Restricted EDA Loan Debt Reserve Fund was established to accumulate funds held in reserve for the annual payment of principal and interest on the E.D.A. Loan. Annual debt service payment is made in June.

Required Amount of Fund

The required amount for the Restricted EDA Loan Debt Reserve Fund varies depending on time of year, and the status of the annual payment.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. The use of the monies in the fund are restricted to the purposes of the fund.

Fund Amount

Fund amount as of June 30, 2010 = \$30,000.00

Amount added (subtracted) from fund during 2011 fiscal year = \$0

Fund amount as of December 31, 2010 = \$30,000.00

**SAN JUAN WATER DISTRICT**  
**RETAIL RESERVE FUNDS**

**Restricted Employee Reserve Fund**

Description

The Restricted Employee Reserve Fund was established to accumulate funds for employees' pre-tax monies to be held in trust by the District for Dependent Care and Unreimbursed Medical expenses. The funds are held in reserve to pay claims submitted by enrolled employees.

Required Amount of Fund

The amount held in reserve for Dependent Care and Unreimbursed Medical expenses depends on the election amounts by employees to contribute to their fund, and the status of paid claims.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. The use of the monies in the fund are restricted to the purposes of the fund.

Fund Amount

Fund amount as of June 30, 2010 = \$4229.10

Amount added (subtracted) from fund during 2011 fiscal year to date= \$0

Fund amount as of December 31, 2011 = \$4229.10

**SAN JUAN WATER DISTRICT**  
**RETAIL RESERVE FUNDS**

**Operating Reserve Fund**

Description

The Retail Operating Reserve was established with the development of the 1998 Wholesale Water Rate Study and Financial Plan. The Retail Operating Reserve Fund provides working capital for retail operations, as well as provide readily available funds for unexpected needs and accommodate modest variations between expected and actual water demands. The 2000 retail financial plan gradually built the operating reserve over the five-year planning period, beginning in 2001.

Recommended Amount of Fund

The fund is recommended to include at least 20 percent of annual operating expenditures, including water supply costs.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. The intent of the fund is to use for working capital for day to day paying of bills, etc. The use of the fund is within the authority of the Board of Directors.

Fund Amount

Fund amount as of June 30, 2010 = \$1,205,515.90

Amount added (subtracted) from fund during 2011 fiscal year to date =  
\$558,913.00

Fund amount as of December 2010 = \$1,764,428.90

**SAN JUAN WATER DISTRICT**  
**RETAIL RESERVE FUNDS**

**Restricted PERS/OPEB Reserve Fund**

Description

The Restricted PERS/OPEB Reserve Funds were established to accumulate funds for two separate purposes. The first is the reserve fund for PERS stabilization, which was established to level out the amount budgeted for PERS payments on an annual basis. The OPEB funding is also temporarily included in this fund until analysis of what trust fund should be used is completed.

Required Amount of Fund

SJWD budgets for the normal cost of PERS retirement that is estimated by an actuarial evaluation as an average payment over an extended period of time. When the actual PERS costs are lower than the normal costs, the difference is placed in this fund. When the PERS costs are higher than the normal costs, the difference is withdrawn from this fund.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. The use of the monies in the fund are restricted to the purposes of the fund.

Fund Amount

Fund amount as of June 30, 2010 = \$415,526.00

Amount added (subtracted) from fund during 2010/2011 fiscal year = \$51,010.00

Fund amount as of December 31, 2010 = \$466,536.00

**SAN JUAN WATER DISTRICT**  
**RETAIL RESERVE FUNDS**

**Compensated Absence Reserve Fund**

Description

The Restricted Employee Reserve Fund was established to accumulate funds for accrued employees vacation and sick leave time.

Required Amount of Fund

The amount held in reserve for accrued employees vacation and sick leave time is dependent on the dollar value of the accrued vacation and vested sick leave amounts.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. The use of the monies in the fund are restricted to the purposes of the fund.

Fund Amount

Fund amount as of June 30, 2010 = \$422,469.00

Amount added (subtracted) from fund during 2011 fiscal year to date= \$1,027.00

Fund amount as of December 31, 2011 = \$423,496.00

**SAN JUAN WATER DISTRICT**  
**RETAIL RESERVE FUNDS**

**Developer/Customer Deposits Reserve Fund**

Description

The Retail Developer/Customer Deposits Reserve Fund was established to contain funds contributed as a deposit for work to be completed by the District.

Recommended Amount of Fund

The Retail Capital Facilities Fees Reserve Fund recommended amount fluctuates based on the actual amount of funds on deposit.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. This fund must be used for funds on deposit for developers or customers. When the project is completed, any remaining funds are returned to the developer or customer.

Fund Amount

Fund amount as of June 30, 2010 = \$68,724.00

Amount added (subtracted) from fund during 2011 fiscal year = \$(6,223.00)

Fund amount as of December, 31 2010= \$62,501.00

**SAN JUAN WATER DISTRICT**  
**RETAIL RESERVE FUNDS**

**Capital Facilities Fees Reserve Fund**

Description

The Retail Capital Facilities Fees Reserve Fund was established to contain funds available for capital replacements, rehabilitation, upgrades, and improvements that provide additional capacity to provide service to additional connections. The reserve fund is funded through connection fees paid by new connections to the District water distribution system.

Recommended Amount of Fund

The Retail Capital Facilities Fees Reserve Fund recommended amount fluctuates based on capital improvements planned and completed. The recommended amount is listed in the current Retail Financial Plan.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. This fund must be used to fund projects that provide capacity for additional connections to the retail service area. The Board has the authority to make the decision on which projects to fund as long as they benefit future customers.

Fund Amount

Fund amount as of June 30, 2010 = \$2,400,925.00

Amount added (subtracted) from fund during 2011 fiscal year = \$56,142.00

Fund amount as of December, 31 2010= \$2,457,067.00

**SAN JUAN WATER DISTRICT**  
**RETAIL RESERVE FUNDS**

**Capital Improvement Reserve Fund**

Description

The Retail Capital Improvement Reserve Fund was established to contain funds available for capital replacements, rehabilitation, upgrades, and improvements. The reserve fund is funded through planned contributions as designated by the Board of Directors.

Recommended Amount of Fund

The Capital Improvement Reserve Fund recommended amount fluctuates based on capital improvements planned and completed. The recommended amount is listed in the current Retail Financial Plan.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. The intent of the fund is to use for planned capital replacements, rehabilitation, upgrades and improvements. The use of the funds is not for future development. The use of the fund is intended to be to benefit existing customers, but is within the authority of the Board of Directors.

Fund Amount

Fund amount as of June 30, 2010 = \$13,025,498.00

Amount added (subtracted) from fund during 2011 fiscal year = \$(252,408.00)

Fund amount as of December 2010 = \$12,773,090.00

## **SAN JUAN WATER DISTRICT**

### **RETAIL RESERVE FUNDS**

#### **Kokila Reservoir Lining Replacement Reserve Fund**

##### Description

The Retail Kokila Reservoir Lining Replacement Reserve Fund was established in the 1980s. The Kokila Reservoir Lining Replacement Reserve Fund accumulates monies for the eventual replacement of the lining and cover for Kokila Reservoir. The Retail Kokila Reservoir Lining Replacement Reserve Fund is shown as a reserve within the Retail Capital Fund.

##### Recommended Amount of Fund

There is not a recommended amount for this fund. \$10,000 is added to this fund at the end of each fiscal year.

##### Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. The intent of the fund is to use for the future replacement of the lining and cover of the Kokila Reservoir. The use of the fund is within the authority of the Board of Directors.

##### Fund Amount

Fund amount as of June 30, 2010 = \$326,728.00

Amount added (subtracted) from fund during 2011 fiscal year = \$5,000

Fund amount as of December 31, 2010 = \$331,738.00

**SAN JUAN WATER DISTRICT**  
**RETAIL RESERVE FUNDS**

**Vehicle and Equipment Reserve Fund**

Description

The Retail Vehicle and Equipment Reserve Fund was established to accumulate sufficient funds to replace vehicles and equipment on an annual basis, and larger equipment on an as-need basis.

Recommended Amount of Fund

The recommended amount for the Vehicle and Equipment Reserve fund varies depending on the future planned replacements of vehicles and equipment.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. The intent of the fund is to use for the future replacement of retail vehicles and equipment. The use of the vehicle and equipment reserve fund is within the authority of the Board of Directors.

Fund Amount

Fund amount as of June 30, 2010 = \$50,000

Amount added (subtracted) from fund during 2011 fiscal year = \$0

Fund amount as of December 31, 2010 = \$50,000

**SAN JUAN WATER DISTRICT**  
**RETAIL RESERVE FUNDS**

**Retail Emergency CIP Reserve Fund**

Description

The Retail Emergency CIP Reserve Fund was established to build up a reserve to pay for improvement necessary to provide a water supply to the retail service area in times of emergencies. The reserve fund is funded through planned contributions as designated by the Board of Directors.

Recommended Amount of Fund

The Capital Improvement Reserve Fund recommended amount fluctuates based on actual contributions by the Board of Directors.

Restrictions on Use of Funds

The fund was created by Ordinance of the Board of Directors. The use of the fund is within the authority of the Board of Directors.

Fund Amount

Fund amount as of June 30, 2010 = \$587,705.00

Amount added (subtracted) from fund during 2011 fiscal year = \$1,428.00

Fund amount as of December 2010 = \$589,133.00

## STAFF REPORT

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To: Board of Directors  
From: Shauna Lorange, General Manager  
Date: February 3, 2011  
Subject: Action Items from Workshops

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5. Legal counsel to research the process by which union and non-union agencies have developed agreements to reduce Employer Paid Member Contributions

Josh Horowitz has provided a memorandum, and it is attached to this staff report.

9. Staff to clarify whether Employer Paid Member Contributions are included as salary in calculating pensions.

The District developed a policy on calculating compensation under the District's CalPERS retirement plan. This policy was developed as part of the Ad Hoc Retirement Committee process. The policy is attached to this staff report.

**Bartkiewicz, Kronick & Shanahan**

A Professional Corporation

**MEMORANDUM**

**TO: BOARD OF DIRECTORS, SAN JUAN WATER DISTRICT**

**CC: SHAUNA LORANCE, GENERAL MANAGER**

**FROM: JOSHUA M. HOROWITZ**

**DATE: FEBRUARY 3, 2011**

**RE: DESCRIPTION OF PROCESS BY WHICH UNION AND NON-UNION PUBLIC AGENCIES HAVE DEVELOPED AGREEMENTS TO REDUCE EMPLOYER PAID MEMBER CONTRIBUTIONS**

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During the District's December 14, 2010 workshop on employee benefits issues, the Board requested more specific information on the process used by both union and non-union agencies to develop agreements to reduce Employer Paid Member Contributions ("EPMC") to CalPERS or another pension plan. This memorandum presents the results of my research on the process employed by local public agencies to reduce EPMC.

**A. INITIAL COMMENTS ON PROCESSES USED TO REDUCE EPMC**

To prepare this memorandum, I obtained information from the public agencies that responded affirmatively to my earlier survey on EPMC reductions as reported in my December 10, 2010 memorandum to the Board. Agencies discussed in my previous memorandum that did not specifically reduce EPMC were not included here. I also was able to obtain information from several additional agencies concerning their process for achieving reductions in the EPMC.

In many cases, public agencies, including many of those discussed in this memorandum, have both represented and unrepresented employees. This is typical because management employees of local agencies generally are not represented for both legal and practical reasons. Like San Juan, some local agencies, generally special districts, have only unrepresented employees. I am not aware, however, of any agency with only unrepresented employees that has reduced or eliminated the EPMC.

Those local agencies that have unionized employees are subject to the Meyers-Milias-Brown Act ("MMBA"), which governs relations between non-school local agencies and represented employees. The MMBA generally requires good faith bargaining of changes in employment, including those related to reducing or altering compensation. Generally, the MMBA requires a

process in which the agency's and representatives periodically meet and confer on any changes to the terms and conditions of employment, negotiate those changes, memorialize the agreed terms and conditions in a labor agreement (generally termed a memorandum of understanding or "MOU"), and then submit the proposed MOU to the agency's governing body and represented employees for approval. A request for a change in the terms and conditions of employment can be initiated by either the agency or the employee bargaining unit. This process generally begins before an existing labor memorandum is due to expire. Once both parties approve, the terms and conditions are memorialized in a new labor MOU that is effective for a designated period. A labor MOU may have provisions allowing the agency or bargaining unit to reopen certain items during the term of the MOU. There are also very limited exceptions that permit a local agency to unilaterally impose changed terms and conditions of employment. Those exceptions generally apply when an impasse is reached during negotiations for a new or reopened MOU or in cases of serious financial emergency.

Agencies have significantly more flexibility to negotiate benefits changes with unrepresented employees. This is particularly true if the agency maintains an at-will employment policy because there are fewer limits on changes to the terms and conditions of employment. Agencies with unrepresented employees can generally initiate changes in conditions of employment at any time either unilaterally by the agency board or in consultation with employees.

## **B. DESCRIPTION OF THE PROCESSES EMPLOYED BY LOCAL PUBLIC AGENCIES TO REDUCE EPMC**

This portion of the memorandum describes in more detail the policies adopted by local public agencies that have recently implemented or that are implementing reductions in the EPMC. The description of each agency first summarizes the EPMC reduction made and then describes the process by which the change was achieved.

1. City of Belmont. The city and its represented and unrepresented employees negotiated a "zero net" arrangement in which employees agreed to pick up all of their EPMC in exchange for an equivalent percentage increase in salary and benefits payments. The change was proposed by represented employees and negotiated as part of the periodic renewal of labor agreements with the city. The changes were included in the new labor MOUs, which were then presented to and approved by the city council. Under the city's employment policies, any benefits changes negotiated with represented employees automatically are applied to unrepresented employees.

2. City of Citrus Heights. I understand that Board President Costa has provided the Board with copies of the City of Citrus Heights' ordinance requiring employees to begin picking up 1% of the EPMC. The reduction in EPMC was initiated by the city council in late 2009, when it required all unrepresented employees to begin paying 1% of the EPMC effective July 1, 2011. Management then used this same standard to negotiate new labor MOUs with represented miscellaneous and safety employee bargaining units, which agreed to the reduction effective July 1, 2011. The city council approved the labor MOUs and later adopted the appropriate CalPERS resolutions to implement the changes.

3. City of Concord. Represented miscellaneous employees have agreed to begin paying 2% of their EPMC. The EPMC reduction was negotiated by the city with its miscellaneous employee bargaining units as part of on-going labor negotiations over a MOU that expired in July 2009. A new MOU was not finalized until June 2010. In the interim, miscellaneous employees worked under imposed terms and conditions. The reduction was memorialized in an MOU and approved by the city council.

In June 2010, Concord's safety employees voluntarily proposed an EPMC reduction to the city as part of a package of wage and benefits concessions to help reduce the city's \$13 million deficit. As part of the package, safety employees agreed to begin paying 5% of the EPMC for the remaining term of their MOU. The changes were included in an amendment to the existing labor MOU and approved by the city council.

4. City of Red Bluff. Management-level employees of Red Bluff have agreed to pick up their entire EPMC as part of the city council's request that all employee groups agree to contribute to salary and benefits reductions of \$500,000 or more. The council directed management to work with employee groups to achieve the savings. Top and mid-level management employees volunteered to pay the EPMC as their contribution to the reductions and the city council has memorialized those voluntary reductions by adopting CalPERS' required resolutions to implement the changes. Negotiations with rank and file employees are continuing and it is not clear if an EPMC reduction will be part of their package.

5. City of Redding. Based on the city council's desire to eliminate the EPMC, unrepresented city employees volunteered to begin paying the entire 7% EPMC as of January 1, 2011. The voluntary elimination of EPMC was driven by the city voters' approval of Measure A at the November 2, 2010 election, which was put on the ballot by the city council and which provides that the city will adopt a policy requiring that all employees begin paying EPMC over a four year phase-in period. As directed by the city council, management is negotiating with represented employees to implement the four year EPMC phase-out schedule provided in Measure A. Negotiations are still in progress with represented employee bargaining units, with the issues of timing of the phase-outs and whether the city will provide any compensation for elimination of the EPMC remaining to be resolved.

6. City of Redlands. Represented miscellaneous employees of Redlands agreed to amend their labor MOUs to provide that all employees in their bargaining units hired after March 11, 2010 would pay 5% of the EPMC. The city continues to pay the entire 7% EPMC for all employees hired before March 11, 2010. At the city council's direction, management requested that miscellaneous employee groups reopen existing labor MOUs to negotiate this change. All bargaining units agreed to the change and amendments to each group's MOU were presented to and approved by the City Council.

7. City of Richmond. The City of Richmond paid the entire EPMC for miscellaneous (8%) and safety (9%) employees. All represented and unrepresented employees now pick up half (4% miscellaneous/4.5% safety) of their EPMC. Employees who agreed to the change received a 2.5% bonus in 2007. The change in EPMC was a mid-term change prompted by a fiscal crisis. The city council directed management to reopen labor agreements with represented employee

groups to obtain reductions in employment costs, including pension benefits. All represented employee groups, except firefighters, agreed to reopen their MOUs and negotiate salary and benefits to achieve budget savings. The EPMC reduction was jointly suggested by negotiators for both sides. Unrepresented employees agreed in advance to accept the same terms as represented employees accepted. After an impasse was declared in negotiations with the firefighters' union, the city imposed payment of the entire EPMC on firefighters without a phase-in or bonus.

8. El Dorado Irrigation District. Represented EID employees recently agreed to begin paying all of their EPMC through December 31, 2011 and 4% of their EPMC from January 1, 2012 through December 31, 2013. This change was requested by District management to implement cost-savings directed by the Board and was negotiated as part of a new labor MOU to replace an expiring agreement. Once the employees and management agreed to the change, it was memorialized in a new labor MOU and presented to and approved by the EID Board.

9. Georgetown Divide Public Utility District. GDPUD's employees agreed to pay the entire EPMC formerly picked up by the district. This agreement was made in exchange for equivalent increases in salary in each job classification. The elimination of EPMC in exchange for higher salaries was initiated by represented employees, whose top priority in negotiating a new MOU with GDPUD was an enhancement to the PERS retirement formula. Because the change to the pension formula would affect all employees, the board directed that unrepresented employees also should participate in the negotiations. The MOU negotiated and executed between represented employees and GDPUD provides for the elimination of EPMC in exchange for an increase in PERS to the 2.7% @ 55 formula and the salary increase. Once the board approved the labor MOU and it became effective, unrepresented employees also began paying the entire EPMC by prior agreement to be bound by the terms negotiated in the labor MOU.

10. San Diego County Water Authority. Represented and unrepresented employees previously paid 1% of the EPMC and SDCWA paid the balance. All employees agreed to a "zero net" arrangement under which they would pay a total of 4.5% of the EPMC in exchange for SDCWA's agreement to provide salary and benefits increases totaling 3.5%. Represented employees requested the change. The process for negotiating the change with represented employees was by collective bargaining during periodic labor MOU negotiations. Once employees and management concurred in the changes, the final MOU was presented to and approved by the SDCWA board. Unrepresented employees agreed to accept whatever change was agreed to by represented employees.

**SAN JUAN WATER DISTRICT  
POLICY ON CALCULATING COMPENSATION UNDER THE DISTRICT'S  
CALPERS RETIREMENT PLAN**

**INTRODUCTION**

Within the constraints of applicable laws and regulations, the Board of Directors of San Juan Water District has the legal authority to determine compensation for purposes of the retirement benefits of District employees under the District's retirement plan pursuant to the contract between the District and CalPERS ("Retirement Plan"). The purpose of this policy is to: (1) confirm the items that the District includes as compensation for the purpose of calculating the retirement benefits of District employees under the Retirement Plan; (2) confirm that any change in what constitutes compensation for the purpose of calculating the retirement benefits of District employees would require prior Board approval; and (3) institute measures to ensure that the retirement benefits of District employees are calculated according to this policy.

**WHAT CONSTITUTES COMPENSATION UNDER THE RETIREMENT PLAN**

The Retirement Plan, consistent with applicable law, requires including an employee's basic pay rate in "compensation" for the purpose of calculating the retirement benefits of District employees under the Retirement Plan. (See California Government Code section 20630.) In calculating total compensation, the only permissible addition is "special compensation." (See California Government Code section 20636.)

Special compensation is limited to additional compensation that is received by employees similarly situated in a group or class of employment pursuant to a labor policy or agreement, or as otherwise required by state or federal law.

The Board of Directors has approved including the following items as special compensation for the purpose of calculating the retirement benefits of District employees under the Retirement Plan:

- "Pay for performance" compensation approved consistent with section 3.9 of the District's "Employee Policy and Procedures Manual" (pursuant to California Government Code section 20636(c)(1) and (2));
- The "pick-up" of required employee contributions to the Retirement Plan consistent with section 13.1.6 of the Employee Manual (pursuant to California Government Code section 20636(c)(4)); and
- The employee uniform allowance consistent with section 7.4.3 of the Employee Manual (pursuant to California Government Code section 20636(c)(6)), subject to the determination under applicable law (e.g., Ventura County Deputy Sheriff's Association v. Board of Retirement of Ventura County (1997) 16 Cal. 4<sup>th</sup> 483)

that the employee uniform allowance under the District's Employee Manual is required to be included as special compensation under the Retirement Plan.

Base monthly pay under the Retirement Plan is reduced by \$133.33 to reflect the exemption from CalPERS benefits of the first one-third of maximum social security earnings.

#### **THE PROCESS FOR AMENDING THE RETIREMENT PLAN**

Any change in what constitutes compensation under the Retirement Plan, or any other amendment of the Retirement Plan, requires approval of the District's Board of Directors of an amendment in the contract for the Retirement Plan, confirmed in a Board resolution.

#### **MEASURES TO ENSURE COMPLIANCE WITH THIS POLICY**

In connection with the preparation of the District's annual independent financial audit, the District's Chief Financial Officer will certify in writing that compensation for the purpose of calculating the retirement benefits of District employees under the Retirement Plan has been reported in a manner that is consistent with this policy. The District's independent financial auditor will be requested to confirm as part of its annual report to the Board that compensation for the purpose of the Retirement Plan has been reported in a manner that is consistent with this policy. The District's General Manager will report to the Board when CalPERS retirement program benefits are changed.

**MEMORANDUM**

**TO: SAN JUAN WATER DISTRICT BOARD OF DIRECTORS**

**FROM: RYAN BEZERRA AND STEPHEN SIPTROTH**

**DATE: FEBRUARY 2, 2011**

**RE: WATER ISSUES UPDATE**

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In the last few weeks, state and federal agencies have issued new reports and documents concerning the Delta and what actions they may take to address the Delta's problems. Specifically: (1) the U.S. Environmental Protection Agency (USEPA) is working on a notice of rulemaking concerning the Delta and a draft of that notice is now circulating; (2) the Delta Stewardship Council (Delta Council) released a new schedule and outline for the Delta Plan that it must complete by the end of the year; and (3) the state Resources Agency and the interested federal agencies have released status updates concerning the Bay-Delta Conservation Plan (BDCP) coinciding with the change in state administrations. This memorandum summarizes the key points in these reports.

1. USEPA Draft Notice of Rulemaking

The USEPA has authority over the Delta through its oversight of permits – including National Pollutant Discharge Elimination System (NPDES) permits – under the federal Clean Water Act, its review of water quality standards that the State Water Resources Control Board (SWRCB) issues and its registration of pesticides under federal law. The USEPA is working on a draft notice of rulemaking concerning the Delta. That draft is now circulating and it appears that USEPA plans to finalize the notice and publish it in the Federal Register sometime in February 2011 because the draft notice sets a date of “March XX 2011” as the deadline for any comments.

The draft notice does not identify any regulatory actions that USEPA plans to take, but rather identifies a number of factors that may be affecting the Delta and requests comments about what, if anything, USEPA can or should do about those factors. For example, the draft notice discusses, at some length, the effects that pesticides – including those used primarily in urban areas that reach streams through stormwater discharges – may be having on the Delta and, in particular, its food web. Probably the most interesting portions of the draft notice, however, are its discussions of how the boundary between salt and fresh water in the Delta – known as “X2” – has changed over time and of how salmon migrate through the Delta.

Many regulatory agencies consider changes in X2's location to be important in describing whether conditions in the Delta are supportive for fish that live in the Delta

like delta smelt. Those agencies tend to believe that conditions for such fish in the Delta are better if X2 is, on average, closer to the ocean. This belief eventually may affect upstream water uses because more water must be released or not used upstream in order to increase the amount of fresh water flowing out of the Delta.

The USEPA's draft notice (p. 52) describes X2's location over time as follows:

Recent research suggests that the quantity and quality of low salinity estuarine habitat, as measured by the location of . . . X2, has declined during the fall period since 1985. As shown in Figure [D], the low salinity zone in the fall has moved upstream, especially after 2000. When the low salinity zone moves upstream, its areal extent shrinks as the low salinity zone is forced into the narrow, deeper channels of the interior Delta and away from the broad shallow shoals of Honker Bay and Suisun Bay downstream . . .

[¶] Prior to 2000, the location of the low salinity zone during the fall varied significantly from year to year, based on springtime precipitation and releases from summertime carryover reservoir storage . . .

[¶] Since 2000, the low salinity zone in the months of September through November (fall X2) has been consistently further upstream in the watershed in all water year types . . . This consistent upstream shift of the low salinity zone has greatly reduced areal extent of the fall habitats of delta smelt and young striped bass . . . The combined indicators of adult delta smelt abundance and the location and extent of fall habitat appear to be a good predictor of subsequent delta smelt abundance.

In other words, according to the USEPA's draft notice, since 2000, the location of X2 has consistently moved upstream in the Delta in the fall, from locations like Honker and Suisun Bays – where there are significant marshes that can be good habitat for delta smelt – to narrower channels – where such marshes do not exist.

What this portion of the USEPA's draft notice suggests is that recent and, in particular, post-2000 increases in demands on water that otherwise would have flowed out of the Delta have impacted delta smelt by moving fall X2 more consistently into a location in the Delta where there is less smelt habitat. The most likely factor that would have produced such results is the return of Delta export pumping to levels consistent with historic highs of 5,000,000 to 6,500,000 acre-feet per year after consistently lower levels of pumping during most of the 1990s.<sup>1</sup>

In addition, USEPA's draft notice discusses issues with "Migratory Fish Corridors" that may be impacting the Delta, but the entire discussion concerns issues with salmon migration into and out of the San Joaquin River system. (Pp. 56-60.) The draft notice does not discuss any issues with salmon migration into and out of the Sacramento River system.

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<sup>1</sup>See Hanak et al., *California Water Myths* (PPIC 2009), p. 9 ([www.ppic.org/main/publication.asp?i=890](http://www.ppic.org/main/publication.asp?i=890)).

## 2. Delta Council

On January 20, 2011, the Delta Council released its agenda packet for its January 27-28, 2011 meeting. That packet contains a revised outline of the Delta Plan and a more detailed schedule for the Council's development of that plan, among other things. Those materials are available on-line on the Council's Web site at [www.deltacouncil.ca.gov/delta\\_council\\_meetings/january\\_2011/meeting\\_materials\\_january\\_2011.html](http://www.deltacouncil.ca.gov/delta_council_meetings/january_2011/meeting_materials_january_2011.html). The Council's updated schedule for developing the Delta Plan involves the issuance of a first draft of the Plan in February 2011 so that the Council can review that draft at its February 24-25, 2011 meeting. The Council then plans to hold two meetings a month through at least May 2011 to work on the draft plan, with the Council producing at least two additional drafts. The Council's updated schedule is on-line at [www.deltacouncil.ca.gov/delta\\_council\\_meetings/january\\_2011/Item\\_10\\_Attach\\_4.pdf](http://www.deltacouncil.ca.gov/delta_council_meetings/january_2011/Item_10_Attach_4.pdf).

The draft outline adds little definition to the notice of EIR preparation that the Council issued in December 2010, but does contain a list of "Potential Funding Sources" for the Council's work that includes "User Charges for Water," "Carbon Offsets," "Water Marketing Charges," "Stressor Charges" and "Public Goods Charges." While these items' precise meanings are not clear, it is clear that one or more of them might involve fees on water users.

We will review the draft Delta Plan when the Council releases it. We also worked with the District's General Manager and Assistant General Manager and with the Regional Water Authority (RWA) and the Northern California Water Association (NCWA) to prepare comments on the Council's notice of EIR preparation for its Delta Plan. Those comments were submitted to the Council before its January 28 deadline.

The District's comments stated that the Council should not include the District as a "responsible agency" in the Delta Plan EIR because the District is not located within the Delta and its actions would not be subject to appeal to the Council. Submitting this comment was important to make a record that the District does not believe that its environmental-review documents for its future projects should be tied up with the Delta Plan EIR.

RWA's and NCWA's joint comments listed many possible environmental impacts that the Council would need to consider in analyzing possible elements of a Delta Plan. For example, RWA's and NCWA's comments stated that the Council would need to consider what implementing SWRCB's Delta flow criteria would do to upstream communities' water supplies, the generation of hydroelectricity, the possible increases in greenhouse gas emissions resulting from a loss of hydroelectricity and the possible inducement of growth in other parts of the state if the economies of upstream communities were impacted by a significant loss of water supplies.

## 3. BDCP

BDCP is the vehicle by which the agencies that export water from the Delta to the San Joaquin Valley and southern California are attempting to obtain 50-year permit

coverage for those exports under the federal and state Endangered Species Acts. In mid-December 2010, the state Resources Agency released a document entitled “Highlights of the BDCP,” which was intended to describe the work that the previous state administration did on BDCP and BDCP’s status. (The document is available on-line at [resources.ca.gov/docs/Highlights\\_of\\_the\\_BDCP\\_FINAL\\_12-14-10\\_2361.pdf](http://resources.ca.gov/docs/Highlights_of_the_BDCP_FINAL_12-14-10_2361.pdf).) This BDCP highlights document identifies, but does not state specific conclusions or positions on, several key issues. For example, the document identifies Delta outflow as a “Primary Delta Flow Management Factor” and identifies certain related objectives,<sup>2</sup> but does not state any particular outflow criteria. (P. 31.) Similarly, the document states the following about financing for BDCP (p. 62):

The apportionment of costs between urban and agricultural water users from the San Francisco Bay Area, the Central Valley and Southern California, all of whom benefit from improved water supply reliability from the state and federal water project pumps, is still under discussion . . . Some portion of the habitat restoration and other actions, such as water quality improvement and invasive species removal, may be paid for and financed by other sources such as state and federal agencies . . . subject to funding availability. It is common practice for public funds to be used for conservation plans.

Shortly after the state Resources Agency issued its BDCP document, six federal agencies – including the Executive Office of the President – issued a document entitled “Interim Federal Action Plan Status Update for the California Bay-Delta: 2011 and Beyond.” It states that “[t]his document confirms the Federal government’s commitment to advance the BDCP process to a successful conclusion.” This federal document states that the federal government’s “Next Steps on the Bay-Delta Conservation Plan” include continuing to develop an integrated biological opinion to be issued by the U.S. Fish and Wildlife Service and the National Marine Fisheries Service “for the BDCP and continued operation of the CVP.” The federal document states the following about such a biological opinion:

An integrated biological opinion will be a key component for the long-term management [of] the Bay-Delta, by combining the BDCP and CVP actions into a single, comprehensive analysis that ensure coordination of water operations and restoration activities for all potentially impacted species.

This approach for developing a biological opinion for BDCP could create issues for north-of-Delta CVP contractors like the District if it were to result in the CVP’s operations being governed by a BDCP that has been developed primarily by Delta-export agencies. For example, such an approach would have the potential to cause Folsom Reservoir to be operated primarily to serve environmental needs in the Delta over needs of American River Division water contractors like the District.

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<sup>2</sup>The stated objectives are “(1) Provide enough outflow to maintain salinity levels during the spring, and (2) explore variable outflow criteria to make water conditions more suitable for fish.”

**San Juan Water District  
Executive Committee Meeting Minutes  
January 25, 2011 – 1:00 p.m.**

**MEMBER ATTENDEES**

Joe Dion, Chair	Citrus Heights Water District
Chuck Rose	Citrus Heights Water District
David Kane	Citrus Heights Water District
Bob Churchill	Citrus Heights Water District
Walt Sadler	City of Folsom
Randy Marx	Fair Oaks Water District
Victor Salle	Orange Vale Water Company
Sharon Wilcox, Vice Chair	Orange Vale Water Company
Ed Formosa	Sacramento Suburban Water District
Ted Costa	San Juan Water District
Ken Miller	San Juan Water District
Shauna Lorance	San Juan Water District
Keith Durkin	San Juan Water District
Teri Hart	San Juan Water District

**AGENDA ITEMS**

- I. Call to Order**
- II. Visitors**
- III. Public Comment**
- IV. Review Agenda**
- V. Review Minutes**
- VI. New Business**
- VII. Old Business**
- VIII. Standing Items**
- IX. Other Items**
- X. Future Meeting Dates**
- XI. Adjournment**

**I. Call to Order**

Chairman Joe Dion called the meeting to order at 1:02 p.m.

## **II. Visitors**

There were no visitors.

## **III. Public Comment**

There was no public comment.

## **IV. Review Agenda**

There were no changes to the agenda.

## **V. Review Executive Committee Minutes**

The minutes of the December 7, 2010 meeting were unanimously approved.

## **VI. New Business**

### ◆ Metro Chamber State Legislative Summit

Ms. Lorance announced that the Metro Chamber State Legislative Summit will be on February 22, 2011 – the date of the next Executive Committee meeting. Ms. Lorance will be attending the summit.

### ◆ Annual Workshop

Ms. Lorance informed the committee that the workshop is scheduled for March 7<sup>th</sup> at Fair Oaks Water District. The committee discussed the workshop and agreed to meet from 9:00 am until 12:00 pm with Shauna Lorance facilitating the meeting. The wholesale water agencies will submit their agenda item requests by February 18<sup>th</sup> and the agenda will be reviewed at the February 22<sup>nd</sup> Executive Committee meeting.

### ◆ WTP Chemical Pilot Testing and Potential Cost Savings

Mr. Durkin conducted a presentation on the WTP Chemical Pilot Testing which was in progress at the facility. He explained that by changing the chemicals used in the treatment of the water, the District could save approximately \$100,000 on an annual basis from reduced chemical costs, lower electrical costs from reduced pumping and treatment of solids, and lower O&M. In addition, since the pilot testing was completed in-house, the District saved at least \$50,000 to \$100,000.

Mr. Durkin reported that by using less chemicals, the WTP will be able to process more water due to reduced solids handling and increased efficiency of the system. The project will continue through summer of 2011.

The Executive Committee requested that the District report back on the project and commended the District staff for saving the District money.

## **VII. Old Business**

### ◆ Fair Oaks 40-inch Pipeline Status

Mr. Durkin reported that the District has contracted with CDM to perform the preliminary work to determine if the project qualifies for a statutory or

categorical exemption under CEQA, prepare the CEQA Notice of Exemption and supporting documentation, and identify environmental permitting requirements including schedule and costs for obtaining permits on the ARC crossing.

Mr. Durkin informed the committee that the District is working with FOWD and OVWC on the agreement for allocation of capacity and costs on the pipeline. A draft MOU for the initial work has been reviewed by OVWC and they are in agreement with it. FOWD has not provided comments on the MOU. The District would like to have the MOU approved at each agency's February board meeting to allow work to proceed.

◆ Wholesale Water Supply Agreement Delinquency Policy

Ms. Lorance informed the committee that she received comments on the recommended Wholesale Water Supply Agreements Delinquency Policy for water charges. The SJWD Board recommended that this is not just the policy for water charges, but for any delinquent payments for any District projects. Comments were received from CHWD and are incorporated into the policy. The recommended policy will be reviewed for adoption at the February Board meeting.

## **VIII. Standing Items (as needed)**

### **Fair Oaks 40**

This item was covered under Old Business.

### **Bypass Intake Project Update**

Ms. Lorance informed the committee that there is a meeting set for February 4<sup>th</sup>.

### **Emergency Water Supply Planning**

Mr. Durkin informed the committee that the general managers met on January 20<sup>th</sup> to get an update on the Emergency Water Supply Planning. A draft Emergency Response Operations Manual and a draft Mutual Aid Agreement were provided to each agency. The Wholesale Customer Agencies were requested to submit comments on the documents within the next 2 to 3 weeks. Mr. Durkin commented that the project may require one more meeting to complete. Mr. Durkin informed the committee that the general managers were informed of the February 17-18 SEMS/NIMS training provided by the Sacramento County Office of Emergency Services.

### **Groundwater Pumping Update**

CHWD – Operating one well per week and rotating them every 5<sup>th</sup> week, which should total approximately 80 af per month.

FOWD – No report.

OVWC – Not pumping.

SJWD – Not pumping.

### **Agency Updates**

Each agency provided a brief update on operations and the status of ongoing capital improvements projects.

#### **San Juan Water District:**

Ms. Lorance reported that the contract amendment to bill in arrears has been reviewed and approved by OVWC and CHWD. Comments from FOWD were received the day of the last SJWD Board meeting; therefore, approval of the agreements was delayed until the January 26<sup>th</sup> meeting. However, the District has not received FOWD comments or revisions. The SJWD Board requested that all the amendments be the same for the Wholesale Customer Agencies so all contracts are pending until FOWD submits their revisions. Approval of the amendment to the agreements needs to be completed by the March Board meeting in order to bill in arrears, otherwise, it may be necessary to bill in advance at that time. Director Marx commented that he will contact Tom Gray regarding this issue. Mr. Sadler commented that the section numbers in the agreement with Folsom are slightly different; therefore, if the amendment removed the section numbers and only included the section title, then all agreement amendments would more closely match.

#### **Citrus Heights Water District:**

Mr. Churchill reported that he sent out a request for comments regarding adjustments on the Wholesale Meter Cost Reallocation Project. To date, he received written response from Folsom and would like to receive comments back so that he can finalize his report this month.

Mr. Churchill reported that their Accounts Receivable Specialist is retiring in May and they will be posting an announcement to fill that position.

Mr. Churchill informed the committee that they need to cement mortar approximately 1,000 ft of 16" steel waterline and would like to borrow specs if any agency has some for this type of installation.

Mr. Churchill commented that they have received several calls regarding the California American Water rate increase, since they recently announced a proposed 27.59% rate increase in 2012. Director Costa inquired if they are using the rate increase to payoff the 20% profit for investors. Ms. Lorance suggested that Rob Roscoe be contacted to gain information regarding background on the rate increase process.

Mr. Churchill announced that Director Dion is running for a position on the JPIA Executive Committee and a request for concurring nominations will be sent to the Wholesale Customer Agencies for support.

Orange Vale Water Company:  
No report.

Fair Oaks Water District:  
Director Marx reported that they switched to bi-monthly billing and completed their last newsletter production in-house.

Folsom:  
No report.

Sacramento Suburban Water District:  
Mr. Formosa reported that Peter Brundage, Executive Officer, Sacramento Local Agency Formation Commission (LAFCo), attended the SSWD Board meeting to discuss the Rio Linda Elverta Community Water District (RLECWD). Mr. Formosa commented that LAFCo requested SSWD to consider their request for assistance with the selection of a general manager and financial advice for RLECWD.

## **IX. Other Items**

### ◆ Elect Officers

The Executive Committee discussed the nomination of officers for 2011 and it was unanimous that Sharon Wilcox serve as Chair and Ed Formosa serve as Vice Chair – both accepted the positions.

## **X. Future Meeting Dates**

- February 22, 2011
- March 7, 2011 - Workshop
- March 22, 2011

## **XI. Adjournment**

The Executive Committee was adjourned at 2:24 p.m.